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**ADVANCED POWER
ELECTRONICS CO., LTD.**

2022 Annual Report

Annual Report Website Inquiry

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Listing of Foreign Securities	<p>None</p>

Disclaimer

*Please note that this English annual report is not a word-for-word translation of the Chinese version.
In the event of any variance, the Chinese text shall prevail.*

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1. Letter to Shareholders

Letter to Shareholders

Business Report

Dear Shareholders:

Thank you for taking the time to participate in the 2023 APEC's Shareholders Meeting. The consolidated revenues for 2022 was NT\$3.911 billion, a decrease of 6.96% compared to 2021; the net profit was NT\$897 million, and earnings per share of NT\$8.83. The 2022 business plan implementation outcome and this year's business plan are described as follows:

I. 2022 Business Outcome

(1) Business plan implementation outcome

Impacted by the COVID-19 pandemic and the Russia-Ukraine War, 2022 was a year full of significant ups and downs, and the global economy experienced incredible twists and turns. In Taiwan, appropriate pandemic-prevention measures enabled manufacturers to maintain normal production, and the economy demonstrated stable growth during the early phase of the pandemic. However, in the later phase, with the growing impact of economic reversals and inflation, the end-market demand slackened, implying a continuous decrease in momentum for PC and consumer electronics market growth, and the destocking results were less satisfactory than anticipated. Nevertheless, through appropriate expansion strategies in emerging technology applications such as 5G, the Internet of Things, and artificial intelligence (AI), the Company and its subsidiaries overcame all difficulties to attain a 2022 consolidated operating revenues, gross profit from operations, and net profit of NT\$3.911 billion, NT\$1.398 billion and NT\$900 million, respectively-a substantial increase compared with 2021.

Xsemi Corporation became the 10% major shareholder of the Company in 2022 and worked together for the new blueprint of automotive electronics. Additionally, the Company completed development of SiC MOSFETs of the 3rd-generation semiconductor. This, coupled with the Company's advantageous position as a member of a comprehensive semiconductor industry cluster, have enhanced the Company's importance in global supply chains, and consequently driven a significant profit increase for the Company and its subsidiaries. Earnings per share reached NT\$8.83, signifying the best operating result since the establishment of the Company and its subsidiaries.

(2) Budget implementation

The Company and its subsidiaries did not formulate external financial forecasts for 2022.

(3) Financial income, expenditure and profitability analysis

In Thousands of New Taiwan Dollars

Item		2022
Financial income and expenditure	Operating revenues	3,911,138
	Gross profit from operations	1,398,177

Item		2022
	Net profit	897,097
	Net profit attributable to owners of the parent	899,827
Profitability	Return on assets (%)	18.44
	Return on equity (%)	23.34
	Pre-tax income as a % of paid-in capital	93.52
	Net income margin (%)	22.94
	Earnings per share (NT\$)	8.83

(4) Research and Development

The Company's Medium and Low voltage Power MOSFETs provide full range solutions such as PCs, laptops, graphics cards, and power supply secondary-side synchronous rectifiers. As for High voltage Power MOSFETs, the production line for the 3rd-generation 600V/650V high voltage processing technology platform has been completed and the product has entered the mass production stage. Additionally, development of the high-voltage process technology platform for 12-inch 600V/650V wafers has also been completed, enabling an expansion in production capacity to meet the remarkable market demand. Furthermore, the Company has successfully launched a collaboration with a major power supply original design manufacturer. With respect to Insulated Gate Bipolar Transistor (IGBT) products, the 1200V 15/30A IGBT reliability verification has been completed, and thus the products can be applied in the market of machine tools and air conditioner inverters. In terms of SiC MOSFETs, the development of 600V-1200V products has been completed, and the products have passed reliability verification. The development of this series of products will be continued, to align with the market demand for power supplies, renewable energy, electric vehicles, and charging piles.

II. Summary of the 2023 Business Plan

(1) Management guideline

The Company and its subsidiaries provide a full range of high, low, and medium voltage Power MOSFETs. We meet customer demand in a timely manner to promptly reflect the rising pressure of raw materials, despite weakening end-market demand caused by the Russia-Ukraine War, post-pandemic effect of the COVID-19 and pressure of inflation. By meeting customer needs in such a timely manner, the Company and its subsidiaries to develop new products to optimize the product mix, thereby enabling continuing expansion of operating scale and creating corporate profits.

(2) Sales volume basis and expectation

The main business scope of the Company and its subsidiaries is research, development, production, testing and sales of Power MOSFETs. Power MOSFETs are widely used in almost all electrical and electronic systems, such as automotive, consumer electronics, industrial automation and other related fields, including personal computers, switching power supplies, fan/motor drives, battery management systems, etc. The Company and its subsidiaries are expecting the annual sales volume in 2023 to reach 1.015 billion pieces.

(3) Key production and marketing policies

Due to the slack in consumer electronics end-market demand, global semiconductor is faced with serious excess inventory problems. In response, the Company and its subsidiaries have collaborated with manufacturers to maintain production capacity and effectively reduce costs through destocking so that supply–demand stabilization can be achieved, the quality of services provided by the Company and its subsidiaries can be guaranteed, and the Company's overall market share can be maintained and continuously enhanced. Xsemi Corporation became the 10% major shareholder of the Company and with resource investments from Foxconn Group and Yageo Group, the Company's R&D energy has been greatly boosted. Moreover, diversified collaboration in product design, process upgrades, and sales channel improvement has been initiated, setting the foundation to establish a complete upstream–downstream semiconductor industry chain that will help the Company and its subsidiaries accelerate its entry into the electric vehicle application market, further improve the domestic content rate for electric vehicle key power products, and add new momentum for the Company's growth.

(4) The impacts of future Company development strategies, external competitive environment, legal environment and overall business environment

In 2023, the Company and its subsidiaries will focus on utilizing the comprehensive semiconductor industry clusters in Taiwan to reduce the impact of the COVID-19 pandemic and the Russia–Ukraine War on production, sales, and logistics, overcoming these challenges to turn crises into opportunities. In addition, the Company and its subsidiaries will take constant notice of domestic/international policy development trends and changes in regulations, and collect relevant information as a reference for managerial personnel's decision making.

Lastly, I would like to thank all our shareholders for your long-term support and encouragement. On behalf of Advanced Power Electronics Co., Ltd., I would like to extend my heartfelt gratitude to all our shareholders and wish you all health and success!

Fu-Chi Teng, Chairman of the Board



Lin-Chung Huang, President



Mei-Ying Tan, Accounting Officer



2. Company Profile

1. Date of Incorporation
2. Company Milestones

Company Profile

1. Date of Incorporation

The Company was officially established on July 17, 1998.

2. Company Milestones

2.1 Merger and Acquisitions, Strategic Investments in Affiliated Enterprises for the Most Recent Year and up to the Publication Date of this Annual Report

(1) Merger and Acquisitions: None.

(2) Investments in Affiliated Enterprises: For more details, please also see Chapter 8 Section 1, "Affiliated Companies in 2022".

2.2 Status of Corporate Reorganization for the Most Recent Year and up to the Publication Date of this Annual Report

None.

2.3 Significant Shareholding Changes in Directors, Supervisors, or Shareholders with Greater than 10% Shareholding for the Most Recent Year and up to the Publication Date of this Annual Report

(1) For long-term strategic development and competitiveness enhancement, with the total number of issued common shares to be no more than 35 million shares which have been resolved in the shareholders' meeting on April 13, 2022 and to authorize the board of directors to issue common shares for capital injection in cash through private placement within one year from the resolution date of the shareholders' meeting. The board of directors of the Company passed a resolution to select the specific parties XSemi Corporation on May 20, 2022, and on May 31, 2022 as the record date for capital increase. The Company issued 35 million shares at a price of NT\$ 82.48 per share, and raised a total of funds NT\$ 2,886,800 thousand, and the capital registration was completed on June 14, 2022. XSemi Corporation became the major shareholder of the Company holding more than 10% or more of the Company's total outstanding shares, accounting for 29.69% of the Company's paid-in capital.

(2) For more details, please also see Chapter 3, Section 8, "Changes in shareholdings of directors, managers and major shareholders".

2.4 Changes in Managerial Control for the Most Recent Year and up to the Publication Date of this Annual Report

None.

2.5 Material Changes in Business Operation, or Service Offerings for the Most Recent Year and up to the Publication Date of this Annual Report

None.

2.6 Other Matters of Material Significance that could Affect Shareholders' Interest for the Most Recent Year and up to the Publication Date of this Annual Report

None.

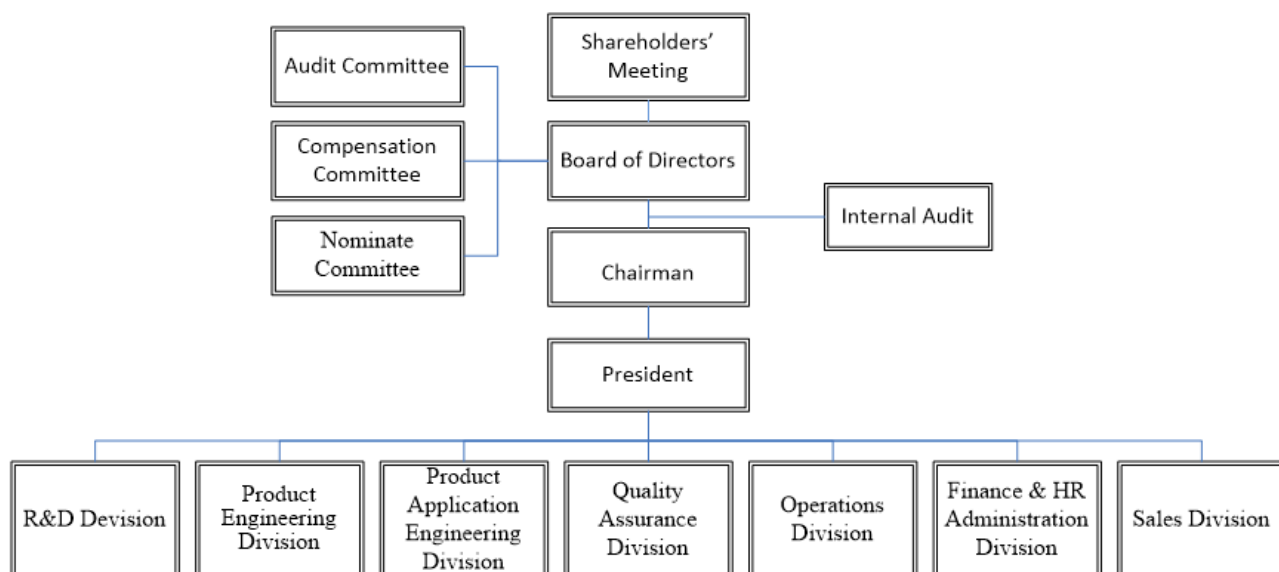
3. Corporate Governance Report

1. Organization Structure
2. Directors, President, Vice Presidents, Senior Directors and Department Heads
3. 2022 Compensation of Directors, President, Vice Presidents, and Other Management Officers
4. Corporate Governance
5. Certified Public Accountant (CPA) Professional Fees
6. Change of CPA
7. Audit Independence for the Most Recent Year
8. Shareholding Changes of Directors, Management, and Major Shareholders for the Most Recent Year and up to the Publication Date of This Annual Report
9. Relationship Among Top Ten Shareholders
10. Comprehensive Shareholding Information Relating to Company, Directors, Management, and Companies Affiliated through Direct and Indirect Investments

Corporate Governance Report

1. Organization Structure

1.1 Organization Chart



1.2 Principal Lines of Business

- Internal Audit: Audit the Company's system and the enforcement of internal regulations, procedures, and authorization with corrective actions offered.
- R&D Division: Responsible for design of device specification and mask layout, responsible for flow control of new product, responsible for development and improvement of device specification, responsible for improvement and control of C/P yield of device, responsible for process transfer to new fab, responsible for development and improvement of fab and responsible for fab process improvement base on C/P yield.
- Product Engineering Division: Responsible for development of product package, responsible for verification and measure of product specification, responsible for control of the yield of package factory, responsible for preparation of data sheet of product specification, responsible for support and exclusion the technical issues of data sheet of product specification and responsible for experiment, review and analysis of product reliability.
- Product Application Engineering Division: Responsible for sales strategy of product, responsible for development and evaluation of new application of product, responsible for design of demo-board and draw up the new application report, responsible for support of new product application and technical problem exclusion, responsible for support of new product design-in and product promotion, responsible for issue of product EOL and responsible for handling of customer complaints with Quality Assurance Division.
- Quality Assurance Division: Execution of various inspections (incoming materials, manufacturing process and finished products) in order to ensure that the product quality meets customer's requirements, responsible for evaluation and auditing the quality system of supplier

and subcontractor, responsible for prevention and correction of defects related to product quality and quality system, and management of improvement tracking and quality records and responsible for review of update of operation procedure related to ISO quality system.

- Operations Division: Responsible for Company's overall production plan and production scheduling operation, responsible for subcontractor management, responsible for material management and incoming and outgoing shipment operation, responsible for procurement management, responsible for bonded and export/import operation and responsible for evaluation and survey of supplier and subcontractor.
- Finance & HR Administration Division: Responsible for planning and enforcement of the Company's finance, and investment, responsible for capital planning and scheduling, responsible for accounting matters, budget preparation and control , responsible for cost accounting matter, responsible for management report analysis, responsible for tax planning and compliance, responsible for comprehensive management of such businesses of the Company as personnel, employee training, employee benefits and employee salary, responsible for general and administrative affairs coordination, responsible for environmental protection and workplace health promotion and responsible for plan and implement IT infrastructure and Network operation control.
- Sales Division: Responsible for product selling and customer service handling, responsible for annual sales plan, responsible for development of new customers, responsible for forecast, analysis and management of orders, responsible for the maintenance of sales forecast data, responsible for the maintenance of order data, responsible for shipping scheduling operations and responsible for collecting of accounts receivable.

2. Directors, President, Vice Presidents, Senior Directors and Department Heads

2.1 Directors

(1). Director Profile

Title	Nationality/Country of Origin	Name	Gender /Age	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
							Shares	%	Shares	%	Shares	%	Shares	%
Chairman	R.O.C.	Future Technology Consulting, Inc.	—	June 15, 2020	3	June 8, 2000	3,084,899	3.79	3,084,899	2.62	—	—	—	—
	R.O.C.	Representative: Fu-Chi Teng	Male/ 61~70	June 15, 2020	3	June 8, 2000	—	—	1,940,102	1.65	—	—	—	—
Director	British Cayman Islands	STCH Investment Inc. (Cayman)	—	June 15, 2020	3	Jan. 17, 2014	6,193,247	7.61	4,850,247	4.11	—	—	—	—
	R.O.C.	Representative: Chih-Cheng Chang	Male/ 51~60	June 15, 2020	3	Sept. 12, 2019	—	—	—	—	—	—	—	—

As of March 20, 2023

Main working (education) experience	Concurrent positions in the Company and other companies	Officer or director is a spouse or consanguineous within two degree			Remark
		Title	Name	Relation	
—	—	—	—	—	—
Executives Program, Graduate School of Business Administration, National Chengchi University Chairman of Tainet Communication System Corp.	Chairman of Future Technology Consulting, Inc. CSO of Advanced Power Electronics Co., Ltd. Representative of juridical person director, Tainet Communication System Corp. Representative of juridical person director, Future Technology Consulting (B.V.I.), Inc. Representative of juridical person director, Perfect Prime Ltd. (SAMOA) Representative of juridical person chairman and general manager, Green Power Semiconductor Co., Ltd. Representative of juridical person director, OPC Microelectronics Co., Ltd. Representative of juridical person director, Fuhong Investment Co., Ltd. Independent Director of Technology Unlimited Corp. Representative of juridical person chairman, St. John's star Venture Capital Co., Ltd. Director of Nccu Star Venture Capital Co., Ltd. Director of Ntust Star Venture Capital Co., Ltd.	—	—	—	
—	—	—	—	—	—
Master degree from Dept. of Business Administration, National Chengchi University Partners of The CID Group Independent director of Advanced Power Electronics Co., Ltd. Investment manager of Kuang-Hwa Investment Holding Co., Ltd.	Partners & Vice President of The CID Group. Director of Tainet Communication System Corp. Representative of juridical person director, Net Publishing Co., Ltd. Representative of juridical person director, Easywell Biomedicals, Inc. Representative of juridical person director, St. John's star Venture Capital Co., Ltd. Representative of juridical person director, Sing Pen Taiwan Co., Ltd. Director of Ample Electronics Technology Co., Ltd. Director of CASTEC International Corp. Director of Upturn Technology Education Co., Ltd. Director of IsCoolLab Co., Ltd. Director of Venture Plus Fund I Taiwan Inc. Director of Tai Sheng International Investment Ltd. Representative of juridical person director, Entire Technology Co., Ltd. Representative of juridical person director, Entire Materials Co., Ltd. Representative of juridical person director, Entire Holding Group Ltd. Representative of juridical person director, Lian Rui Holding Group Ltd. Representative of juridical person director, Lian Chuang Holding Group Ltd. Representative of juridical person director, Value Investment Corp. Representative of juridical person director, A-Wei Technology Corp. Representative of juridical person chairman, Taiwan Ninja Co., Ltd. Representative of juridical person director, Chunghua Century Investment Corp. Representative of juridical person director, Hua Sheng International Investment Ltd.	—	—	—	—

Title	Nationality/Country of Origin	Name	Gender /Age	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
							Shares	%	Shares	%	Shares	%	Shares	%
Director	R.O.C.	Shih-Chieh Tsai	Male/ 61~70	June 15, 2020	3	Jan. 17, 2014	—	—	—	—	—	—	—	—
Director	R.O.C.	Ji-Yu Yang	Male/ 51~60	June 15, 2020	3	Jan. 17, 2014	—	—	—	—	—	—	—	—
Independent Director	R.O.C.	Ciou-Lin Chen	Male/ 61~70	June 15, 2020	3	Jan. 17, 2014	—	—	—	—	—	—	—	—
Independent Director	R.O.C.	Yong-Sheng Liu	Male/ 61~70	June 15, 2020	3	Jan. 17, 2014	—	—	—	—	—	—	—	—
Independent Director	R.O.C.	Pei-Jun Wu	Female/ 61~70	June 15, 2020	3	May 17, 2017	—	—	—	—	—	—	—	—

As of March 20, 2023

Main working (education) experience	Concurrent positions in the Company and other companies	Officer or director is a spouse or consanguineous within two degree			Remark
		Title	Name	Relation	
Master degree from Dept. of Computer Science, George Washington University B.S. in Computer Science, National Chiaotung University General Manager of Heidrick & Struggles Taiwan President of Accenture Taiwan	Partners of The CID Group Representative of juridical person director, Entire Holding Group Ltd. Independent director of Novatek Microelectronics Corp.	—	—	—	—
Master degree from Dept. of Finance, National Chengchi University CPA of the R.O.C. U.S. Chartered Financial Analyst CFO of TaiHan Precision Technology Co., Ltd.	Director and CFO of LandMark Optoelectronics Corp. Independent director of Elite Advanced Laser Corp.	—	—	—	—
Ph. D. in Electrical Engineering, NTU B.S. in Electrical Engineering, NTU Professor of Dept. of Electrical Engineering, NTU Deputy Director of Green Energy and Environment Research Laboratories, Industrial Technology Research Institute General Manager of Noveltek Semiconductor Corp.	Adjunct Professor of Graduate Institute of Electrical Engineering, National Taiwan University Independent director of GIO Optoelectronics Corp. Senior Deputy Vice President and R&D chief of FocalTech Systems Co., Ltd.	—	—	—	—
Master of Business Administration, California Miramar University B.A. in Accounting, Tunghai University Global Vice President and CFO of Asia-Pacific Region, Applied Materials, Inc. Chairman of Applied Materials, Inc. Taiwan CFO and Vice President of Operations of Applied Materials, Inc. Taiwan CFO of Winstek Semiconductor Corp.	Independent director of Rafael Microelectronics Inc. Independent director of Novatek Microelectronics Corp. Independent director of TFBS Bioscience, Inc.	—	—	—	—
Master degree from Graduate School of Law, Keio University, Japan LL.B. from College of Law, Taiwan University Supervisor of Tainet Communication System Corp.	Associate Professor and Chairperson of Dept. of Financial Law, Mingchuan University Chairman of Songyang Investment Co., Ltd. Chairman of Chihyang Investment Co., Ltd. Independent director of Flexium Interconnect Inc.	—	—	—	—

Table 1: Major Shareholders of APEC's Institutional Shareholders

As of March 20, 2023

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	Percentage
Future Technology Consulting, Inc.	Fu-Chi Teng	76.36%
	Wei-Ling Hsieh	13.03%
	Wei-Chuan Hsieh	7.58%
	Yu-Hui Feng	3.03%
STCH Investment Inc. (Cayman)	Chang, Ching-Yi	50.00%
	Chih-Cheng Chang	50.00%

(2). Qualifications and independence criteria of directors**A. Professional qualifications and experience of directors**

Name	Professional Qualification and Experience
Chairman Fu-Chi Teng	Graduated from the Executives Program, Graduate School of Business Administration of National Chengchi University. He is the chairman and chief strategy officer of the Company, the Chairman of Future Technology Consulting, Inc. and representative of juridical person director of listed companies. He has more than five years of business and financial experience. And the work experience required for the Company's business, dedicated to the semiconductor industry for nearly 25 years, with professional leadership, marketing, operation management and strategic planning capabilities, leading the Company to become an industry leader and a sustainable business.
Director Chih-Cheng Chang	Graduated from National Chengchi University with a master's degree in Business Administration, he is currently the founder and Vice President of The CID Group., the representative of juridical person director of Tainet Communication System Corp., and representative of juridical person director of listed companies. He has more than five years of work experience in business, finance and corporate business, with global vision, professional judgment on global market competition and innovation leadership.
Director Shih-Chieh Tsai	Graduated from George Washington University with a master's degree in computer science, he is currently a partner of the CID Group, an independent director of Novatek Microelectronics Corp, and former general manager of Heidrick & Struggles Taiwan. He has more than five years of business and financial experience. And the work experience required by the company's business, specializing in market strategy and business promotion.
Director Ji-Yu Yang	Graduated from Chengchi University with a master's degree in Finance. He is a CPA of the R.O.C. and a U.S. Chartered Financial Analyst, is currently the director and chief financial officer of L LandMark Optoelectronics Corp., has more than five years of business, work experience and professional qualifications required for finance, accounting and corporate business, specializing in corporate finance and accounting affairs, and have rich experience in industry planning.
Independent Director Ciou-Lin Chen	Graduated from the Department of Electrical Engineering of National Taiwan University with a Ph.D., is the convener of the Company's Remuneration Committee and a member of the Audit Committee, an adjunct professor at the Graduate Institute of Electrical Engineering of National Taiwan University, independent director of Bestec Power Electronics Co., Ltd. and Senior Deputy Vice President and R&D chief of FocalTech Systems Co., Ltd, former professor of the Department of Electrical Engineering of National Taiwan University, deputy director of the Green Energy Institute of the Industrial Technology Research Institute. He has more than five years of professional qualifications for professors in colleges and universities, and has more than five years of work experience required for business. He is committed to the research of power integrated circuits and power electronics and provide

Name	Professional Qualification and Experience
	professional advice on the Company's product development and sales.
Independent Director Yong-Sheng Liu	Graduated from the University of Miramar, California with a master's degree in business administration, is the convener of the Company's audit committee and a member of the compensation committee, independent director of Rafael Microelectronics Inc. and Independent director of Novatek Microelectronics Corp. and Independent director of TFBS Bioscience, Inc., and former CFO of Asia-Pacific Region, Applied Materials, Inc. with more than five years of work experience in business, finance, accounting and corporate business, specializing in corporate operations, financial planning and accounting professional affairs, with rich industry experience.
Independent Director Pei-Jun Wu	Graduated from Keio University with a Master of Law in Japan, she is a member of the Company's Audit Committee and Compensation Committee, an associate professor and Director of the Department of Financial Law, MingChuan University. She is the chairman of Songyang Investment Co., Ltd. and Chihyang Investment Co., Ltd., Independent directors of the Flexium Interconnect Inc. and Supervisor of Tainet Communication System Corp., with more than five years of professional qualifications for professors in colleges and universities. She has more than five years of work experience required for legal affairs, finance and business, specializing in the fields of finance and law, assisting companies in legal professional consultation.

B. Independence criteria of directors

Name	Independence Criteria	Number of Other Public Companies in which the Individual is Concurrently Serving as an Independent Director
Chairman Fu-Chi Teng	Not in contravention of Article 30 of the Company Act.	1
Director Chih-Cheng Chang	Not in contravention of Article 30 of the Company Act.	0
Director Shih-Chieh Tsai	Not in contravention of Article 30 of the Company Act.	1
Director Ji-Yu Yang	Not in contravention of Article 30 of the Company Act.	1
Independent Director Ciou-Lin Chen	<p>The directors have been met the following independence criteria during the two years prior to being elected or during the term of the office.</p> <p>Criteria 1: Not an employee of the Company or its affiliates.</p> <p>Criteria 2: Not a director or supervisor of the Company or any of its affiliates. This does not apply in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.</p> <p>Criteria 3: Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in shareholdings.</p> <p>Criteria 4: Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding specified in criteria 1 to 3.</p> <p>Criteria 5: Neither a director, supervisor, or employee of an entity that directly and/or indirectly holds 5% or more of total number of issued shares of the Company, or rank among the top 5 shareholdings.</p> <p>Criteria 6: Not a director, supervisor, officer, or shareholder holding</p>	1
Independent Director Yong-Sheng Liu		3

Name	Independence Criteria	Number of Other Public Companies in which the Individual is Concurrently Serving as an Independent Director
Independent Director Pei-Jun Wu	<p>5% or more of the outstanding shares of any entity that has financial or business relations with the Company.</p> <p>Criteria 7: Not a director, supervisor, or employee of a company or institution of which the chairman, president (or equivalent) himself/herself or his/her spouse also serves as the company's chairman, president (or equivalent).</p> <p>Criteria 8: Not a director, supervisor, manager, or shareholder owning more than 5% of the outstanding shares of any company that has financial or business relations with the Company.</p> <p>Criteria 9: Not a professional, owner, partner, director or supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past two years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.</p> <p>Criteria 10: Not a spouse or relative within second degree by affinity to other directors.</p> <p>Criteria 11: Not in contravention of Article 30 of the Company Act.</p> <p>Criteria 12: Not an institutional shareholder or its representative pursuant to Article 27 of the Company Act.</p>	1

(3). Diversified board of directors

The nomination and selection for members of the company's board of directors is conducted in accordance with the provisions of the articles of association, and the nomination system is adopted. All candidates for directors are selected by the board of directors through qualification review and resolution, with their diversity; independence and professional expertise taken into consideration, and appointed by the shareholder meeting. In order to strengthen corporate governance and promote the sound development for the composition and structure of the board of directors, according to Article 20 of the company's Corporate Governance Best Practice Principles, the member diversity shall be taken into account for the composition of the board of directors, and appropriate diversification policy shall be formulated based on the company's operations, operation mode and development needs. The members of the board of directors shall possess the necessary knowledge, skills and quality to perform their duties. To achieve the goal of corporate governance, the board directors shall possess the following:

- A. Ability to make operational judgments
- B. Ability to perform accounting and financial analysis
- C. Ability to conduct management administration
- D. Ability to conduct crisis management
- E. Industry knowledge
- F. A global market perspective

G. Ability to lead

H. Ability to make policy decisions

The board of directors for this term is composed of seven directors. There are three independent directors, 14% of the directors were employees, independent directors accounting for 43% of the composition, The Company also pays attention to the gender of the board of directors, the proportion of female directors is 14%. With regard to the seniority of independent directors, the company's two independent directors have served for two consecutive terms, with a seniority of nine years; the other independent director has a seniority of six years. Their qualifications meet the independence requirements stipulated in the law, and they are familiar with the company's financial and operating conditions. The implementation is as follows:

Name	Title	Gender	Age		Term		Employees	Top five core competencies									
			51-60 years old	61-70 years old	Less than 3 years	3-9 years		More than 9 years	Finance	Electronic technology	Manufacturing	Business	Accounting	Law	Information Technology	Marketing	Risk Management
Fu-Chi Teng	Director	Male		✓				✓		✓	✓				✓	✓	✓
Chih-Cheng Chang	Director	Male	✓						✓	✓		✓	✓				✓
Shih-Chieh Tsai	Director	Male		✓						✓		✓			✓	✓	✓
Ji-Yu Yang	Director	Male	✓						✓		✓	✓	✓				✓
Ciou-Lin Chen	Independent Director	Male		✓		✓				✓	✓				✓	✓	✓
Yong-Sheng Liu	Independent Director	Male		✓		✓			✓		✓		✓		✓		✓
Pei-Jun Wu	Independent Director	Female		✓		✓			✓	✓		✓		✓			✓

Execution status and goal of diversified board of directors

Management goals	Execution status
The director who is also an employee should not exceed one-third of the number of directors	Achieved
At least one female director	Achieved
Independent directors shall serve no more than three consecutive terms	Achieved
More than half of the directors are not a spouse or relative within second degree by affinity to other directors.	Achieved

(4). Independence of the Board of Directors

The board of directors of the Company shall direct company strategies, supervise the management, and be responsible to the Company and its shareholders. The operations and arrangements of its corporate governance system shall be able to ensure that, in exercising its authority, the board of directors complies with the laws, regulations, its Articles of Incorporation, and the resolutions of its shareholders' meetings. The Company has three independent directors, which is in accordance with the Articles of Incorporation, the Company shall have independent directors for not less than two in number and not less than one-fifth of the total number of directors. The independent directors of the Company, when carrying out their duties, shall maintain independence and may not have any direct or indirect interest with the Company; their professional qualifications, shareholding, and restrictions on holding concurrent positions as well as determination of independence, method of nomination is complied with the Securities Exchange Act, Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and other regulations and rules set forth by the Taiwan Stock Exchange Corporation.

The Company established an audit committee composed of the entire independent directors. The main function of the Audit Committee is to supervise the effective implementation of the internal control system of the Company, the hiring (and dismissal), independence and performance of the Company's CPA, fair presentation of the financial reports of the Company, Compliance with relevant laws and regulations by the Company and Risk management and control mechanism of the Company.

Unless the competent authority otherwise grants an approval, a spousal relationship or a familial relationship within a second-degree of kinship may not exist among more than half of the directors of the Company.

All directors do not have any in contravention of Article 30 of the Company Act and all directors do not have a spouse or relative within the second degree of relationship, which meets the requirements of Items 3 and 4 of Article 26-3 of the Securities and Exchange Act.

2.2 Profiles of President, Vice Presidents, Directors and Department Heads

As of March 20, 2023

Title	Nationality	Name	Gender	Effective Date	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		
					Shares	%	Shares	%	Shares	%	
Chairman & CSO	R.O.C.	Fu-Chi Teng	Male	Jan.11, 2022	1,940,102	1.65	—	—	—	—	
President	R.O.C.	Lin-Chung Huang	Male	Nov. 6, 2020	202,414	0.17	34,410	0.03	—	—	
Vice President of R&D Division	R.O.C.	Jau-Yan Lin	Male	Nov. 12, 2018	72,456	0.06	806	0.00	—	—	
Vice President of Product Engineering Division	R.O.C.	Meng-Hui Lin	Male	Nov. 12, 2018	127,000	0.11	7,058	0.01	—	—	
Vice President of Finance & HR Administration Division	R.O.C.	Mei-Ying Tan	Female	Nov. 1, 2000	35,246	0.03	—	—	—	—	
Vice President of Sales Division	R.O.C.	Chien-Hsueh Lin	Male	Jan. 1, 2021	20,000	0.02	—	—	—	—	

As of March 20, 2023

Main working (education) experience	Concurrent positions in the Company and other companies	Officers who are Spouses or within Two Degrees of Kinship			Remarks
		Title	Name	Relation	
Executives Program, Graduate School of Business Administration, National Chengchi University Chairman of Tainet Communication System Corp.	Chairman of Future Technology Consulting, Inc. Representative of juridical person director, Tainet Communication System Corp. Representative of juridical person director, Future Technology Consulting (B.V.I.), Inc. Representative of juridical person director, Perfect Prime Ltd. (SAMOA) Representative of juridical person chairman and general manager, Green Power Semiconductor Co., Ltd. Representative of juridical person director, OPC Microelectronics Co., Ltd. Representative of juridical person director, Fuhong Investment Co., Ltd. Representative of juridical person director, Data Image Corp. Independent Director of Technology Unlimited Corp. Representative of juridical person chairman, St. John's star Venture Capital Co., Ltd. Director of Nccu Star Venture Capital Co., Ltd. Director of Ntust Star Venture Capital Co., Ltd.	—	—	—	—
Master degree from Dept. of Electrical Engineering, National Sun Yat-sen University Supervisor of Advanced Power Electronics Co., Ltd.	Representative of juridical person director, Green Power Semiconductor Co., Ltd. Representative of juridical person director, OPC Microelectronics Co., Ltd. Representative of juridical person director, Fuhong Investment Co., Ltd.	—	—	—	—
Master degree from Dept. of Materials and Optoelectronics, National Sun Yat-sen University Department Director of Hualon Microelectronics Corp.	—	—	—	—	—
Master degree from Dept. of Electrical Engineering, National Sun Yat-sen University Engineer of United Microelectronics Corp. Department Director of Hualon Microelectronics Corp.	—	—	—	—	—
Master of Laws (LL.M.), School of Law, Soochow University B.A. in Accounting, Tamkang University Senior Auditor, BDO Taiwan	Representative of juridical person director, Seaward Electronics Corp. (Cayman) Representative of juridical person director and general manager, Shenzhen Fucheng Electronics Co., Ltd. Representative of juridical person director, Green Power Semiconductor Co., Ltd. Representative of juridical person director, OPC Microelectronics Co., Ltd. Representative of juridical person chairman, Fuhong Investment Co., Ltd.	—	—	—	—
Master of Dept. of International Business, National Chengchi University Sales Manager of Epson Taiwan Technology & Trading Ltd. Product Director of Silicon Application Corp. Senior Sales Manager of AOS Taiwan	—	—	—	—	—

3. 2022 Compensation of Directors, President, Vice Presidents, and Other Management Officers

3.1 Compensation of Directors (including Independent Directors)

As of December 31, 2022, Unit: NT\$' 000

As of December 31, 2022, Unit: NT\$ 0

Title	Name	Compensation to Directors								Total Compensation (A+B+C+D) to Net Income (%)	
		Base Compensation (A)		Pension / Severance (B)		Directors Compensation (C) (Note 1)		Professional Fee (D)			
		Parent- only	Consolidat ed	Parent- only	Consolid ated	Parent- only	Consolida ted	Parent- only	Consolid ated	Parent- only	Consolidate d
Chairman	Future Technology Consulting, Inc. Representative: Fu-Chi Teng	0	0	0	0	4,769	4,769	35	45	0.53	0.53
Director	STCH Investment Inc. (Cayman) Representative: Chih-Cheng Chang	0	0	0	0	2,385	2,385	30	30	0.27	0.27
Director	Shih-Chieh Tsai	0	0	0	0	2,385	2,385	30	30	0.27	0.27
Director	Ji-Yu Yang	0	0	0	0	2,385	2,385	35	35	0.27	0.27
Independent Director	Ciou-Lin Chen	0	0	0	0	2,385	2,385	95	95	0.28	0.28
Independent Director	Yong-Sheng Liu	0	0	0	0	2,385	2,385	95	95	0.28	0.28
Independent Director	Pei-Jun Wu	0	0	0	0	2,385	2,385	90	90	0.28	0.28

Note 1: NT\$19,077 thousand and \$152,616 thousand are set aside for employees' and directors' compensations for 2022 according to the resolution of the Board of Directors. It was calculated used last year's actual allocation ratio.

Note 2: According to the Company's Articles of Incorporation, directors' remuneration is determined based on their duties, risks and involvement. The Remuneration Committee reviews the compensation mechanism periodically.

Note 3: In addition to the above table, remuneration paid to directors for their services to all consolidated entities (such as consultants who are not employees): None.

As of December 31, 2022, Unit: NT\$ '000

Compensation as an employee								A+B+C+D+E+F+G as a % of net profit		Compensation from investees other than subsidiaries
Performance-based salary (E)		Retirement pay of employees (F)		Earnings paid as bonus to employees (G) (Note 1)						
Parent-only	Consolidated	Parent-only	Consolidated	Parent-only		Consolidated		Parent-only	Consolidated	
				Cash bonus	Stock bonus	Cash bonus	Stock bonus			
6,643	6,643	0	0	9,017	0	9,017	0	2.27	2.28	0
0	0	0	0	0	0	0	0	0.27	0.27	0
0	0	0	0	0	0	0	0	0.27	0.27	0
0	0	0	0	0	0	0	0	0.27	0.27	0
0	0	0	0	0	0	0	0	0.28	0.28	0
0	0	0	0	0	0	0	0	0.28	0.28	0
0	0	0	0	0	0	0	0	0.28	0.28	0

3.2 Compensation of President and Vice President

As of December 31, 2022, Unit: NT\$'000

Title	Name	Base Compensation (A)		Pension / Severance (B)		Bonuses and Allowances (C)		Employee Compensation (D) (Note)				A+B+C+D as a % of net profit		Compensation from investees other than subsidiaries
		Parent-only	Consolidated	Parent-only	Consolidated	Parent-only	Consolidated	Parent-only		Consolidated		Parent-only	Consolidated	
								Cash bonus	Stock bonus	Cash bonus	Stock bonus			
Chairman & CSO	Fu-Chi Teng	21,623	21,623	540	540	15,917	15,947	54,103	0	54,103	0	10.24	10.25	0
President	Lin-Chung Huang													
Vice President of R&D Division	Jau-Yan Lin													
Vice President of Product Engineering Division	Meng-Hui Lin													
Vice President of Finance & HR Administration Division	Mei-Ying Tan													
Vice President of Sales Division	Chien-Hsueh Lin													

Note: NT\$152,616 thousand is set aside for employees' compensations for 2022 according to the resolution of the Board of Directors. It was calculated used last year's actual allocation ratio.

Range of Compensation	Name of President and Vice President	
	Parent-only	Consolidated
Less than NT\$1,000,000	—	—
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	—	—
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	—	—
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	—	—
NT\$ 5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	—	—
NT\$10,000,000(inclusive) ~ NT\$15,000,000 (exclusive)	Chien-Hsueh Lin	Chien-Hsueh Lin
NT\$15,000,000(inclusive) ~ NT\$30,000,000 (exclusive)	Fu-Chi Teng, Lin-Chung Huang, Jau-Yan Lin, Meng-Hui Lin, Mei-Ying Tan	Fu-Chi Teng, Lin-Chung Huang, Jau-Yan Lin, Meng-Hui Lin, Mei-Ying Tan
NT\$30,000,000(inclusive) ~ NT\$50,000,000 (exclusive)	—	—
NT\$50,000,000(inclusive) ~ NT\$100,000,000 (exclusive)	—	—
Over NT\$100,000,000	—	—
Total	6	6

3.3 Manager and employee bonuses

As of December 31, 2022, Unit: NT\$'000

	Title	Name	Stock bonus	Cash bonus	Total	As a % of net profit
Manager	Chairman & CSO	Fu-Chi Teng	0	54,103	54,103	6.01
	President	Lin-Chung Huang				
	Vice President of R&D Division	Jau-Yan Lin				
	Vice President of Product Engineering Division	Meng-Hui Lin				
	Vice President of Finance & HR Administration Division	Mei-Ying Tan				
	Vice President of Sales Division	Chien-Hsueh Lin				

Note: NT\$152,616 thousand is set aside for employees' compensations for 2022 according to the resolution of the Board of Directors. It was calculated used last year's actual allocation ratio.

3.4 Compensation of directors and management executives as a percentage of net income over the past two years and guiding principles

(1). Compensation of directors and management executives as a percentage of net income:

Type	As a % of net income				Ratio Variation	
	2021		2022			
	Parent-only	Consolidated	Parent-only	Consolidated	Parent-only	Consolidated
Directors	2.18%	2.19%	2.18%	2.18%	0.00%	(0.01%)
President and Vice President	7.96%	7.96%	10.24%	10.25%	2.28%	2.29%

(2). Remuneration policies, standards and package:

A. Compensation of directors

a. Directors' (including independent directors) remuneration and compensation

Directors' remuneration and compensation are paid according to the Company's Articles of Incorporation. Compensation paid to directors is pursuant to the ratio specified in the Company's Articles of Incorporation, when the company makes a profit.

b. Transportation allowances

Transportation allowances are paid based on attendance in board meetings and for services rendered as the chairman or a member of the Audit Committee or Remuneration Committee.

B. Compensation of President and Vice President

a. Compensation paid to the president and vice presidents comprises a fixed monthly salary, annual bonus and performance bonus.

b. Performance bonuses are determined based on the president's or the vice president's contribution to the Company and the results of an annual performance appraisal. The above-mentioned bonuses have been proposed by the Remuneration Committee for approval at the board meeting.

(3). Procedures for setting remuneration and performance bonuses:

- A. In accordance with the Company's Articles of Incorporation, the Company should distribute no less than 8% as employees' compensation, and not more than 3% as Directors' compensation of the Company's annual net income after deducting losses from previous years.
- B. The above-mentioned Directors' and employees' compensation have been proposed by the Remuneration Committee for approval at the board meeting.
- C. Year-end bonuses are set based on the Company's performance and the annual budget approved by the board and the chairman.

(4). Performance factor:

- A. The performance evaluation of the directors is conducted on an annual basis, based on the "Regulations Governing the Performance Evaluation of the Board of Directors" and the evaluation result is submitted to its Board of Directors the following year for review and improvement, and to serve as a reference for the selection, nomination, and compensation of directors.
- B. Compensation for directors, President and Vice President, is based on each individual's respective expertise and competencies, corporate performance, and financial status and continuing to learn and other special contributions, linked to various KPI assessments, such as corporate performance, and personal performance as an additional reference point for changing compensation.
- C. The Company shall review the compensation mechanism periodically, taking future operating risks, environmental conservation and corporate social responsibility into consideration.

4. Corporate Governance

4.1 Board of Directors attendance

The Board of Directors convened 6 meetings (A) in fiscal year 2022, of which attendance is as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Future Technology Consulting, Inc. Representative: Fu-Chi Teng	6	0	100.00	
Director	STCH Investment Inc. (Cayman) Representative: Chih-Cheng Chang	6	0	100.00	
Director	Shih-Chieh Tsai	6	0	100.00	
Director	Ji-Yu Yang	6	0	100.00	
Independent Director	Ciou-Lin Chen	6	0	100.00	
Independent Director	Yong-Sheng Liu	6	0	100.00	
Independent Director	Pei-Jun Wu	6	0	100.00	

Other Matters of Importance:

- If any of the following circumstances occur, it is necessary to specify the dates of the board meetings, sessions, contents of motion, all independent directors' opinions, and the Company's responses:
 - Pursuant to Article 14-3 of the Securities and Exchange Act:
Not applicable. The Company has already established an audit committee.
 - In addition to item (1), other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors.
None.
- Any directors' avoidance of motions due to conflict of interest, director name, contents of motion, causes for avoidance, and voting should be specified:

Date	Name of directors	Proposal	Reasons for recusal	Participation in deliberation
The 1st meeting of the 9th Board of Directors in 2022 on January 11, 2022	Fu-Chi Teng	The appointment Fu-Chi Teng as the CSO	Personal interest	All three were excluded from the deliberations
The 5th meeting of the 9th Board of Directors in 2022 on August 2, 2022	Fu-Chi Teng	Issuance of 2022 restricted stock award for managerial officers.	Personal interest	All three were excluded from the deliberations
The 6th meeting of the 9th Board of Directors in 2022 on November 1, 2022	Fu-Chi Teng Pei-Jun Wu Yong-Sheng Liu	Approved the Company's "Nominating Committee Organizational Procedures" and appointment of members of the First Nomination Committee of the Company.	Personal interest	All three were excluded from the deliberations

3. Publicly-listed companies should disclose board self-evaluation (or peer-evaluation) information including cycle, period, scope, method, and content, and should fill in the attached Table 1, Information Regarding the Implementation of the Evaluation of the Board of Directors.
4. Measures have been taken to strengthen the functioning of the Board of Directors (e.g. establishment of the Audit Committee, increasing transparency) to assist the board in carrying out its various duties.
 - (1) The board of directors is composed of seven directors. There are three independent directors, accounting for one third of the composition. The Audit Committee and the Compensation Committee, composed entirely of independent directors, assist the Board of Directors in carrying out supervisory tasks. The chairperson of each committee reports on their committee's operations to the board on a regular basis. In order to enhance the Board's operation and strengthen the management mechanism, the Company established the Nomination Committee consisting of 3 directors (including 2 independent directors) to implement the sustainable development of the enterprise.
 - (2) Committed to upholding operational transparency, the Company regularly discloses resolutions by the Board of Directors on its official website and MOPS in a timely and consistent manner. In addition, the Company holds institutional investor conferences and has set up Chinese/English sections for Investor Relations, Corporate Governance, Corporate Social Responsibility and Stakeholder Engagement on its official website.
 - (3) The Company provides its directors and managers with annual liability insurance to cover risks as they carry out their duties and reviews the insurance coverage on an annual basis to make sure the amount and scope are sufficient to the need.
 - (4) All the directors of the Company have at least 6 hours of continuing education in 2022.
 - (5) The Company conducts the board performance evaluation in accordance with the "Regulations Governing the Performance Evaluation of the Board of Directors" once a year, and at least once every three years by an external independent professional institution. The Company completed self-assessments of Board performance in 2022 and reported the results to the Board of Directors at the second meeting in 2023 for review and improvement.

Table 1. Board of Directors' Performance Evaluation Implementation Status

Evaluation Cycles	The Company conducts the performance evaluation once a year.
Evaluation Period	From January 1, 2022 to December 31, 2022
Evaluation Scope	The scope includes the Board of Directors as a whole, the individual directors, and functional committees.
Evaluation Method	Methods include internal assessment of the Board and self-assessments by each board member.

Evaluation Aspects	<p>1.The Board of Directors are assessed on the following five aspects:</p> <p>(1). Involvement in the Company’s operation.</p> <p>(2). Enhancement of the quality of the board’s decision-making.</p> <p>(3). Makeup and structure of the board.</p> <p>(4). Election of board members and continuing knowledge development.</p> <p>(5). Internal controls.</p> <p>2.The individual directors are assessed on the following six aspects:</p> <p>(1). Understanding of the Company’s goals and mission.</p> <p>(2). Awareness of director’s duties.</p> <p>(3). Involvement in the Company’s operations.</p> <p>(4). Internal relationship and communication.</p> <p>(5). Director’s professionalism and continuing knowledge development.</p> <p>(6). Internal controls.</p> <p>3.The functional committees (Audit Committee and Compensation Committee) are assessed on the following five aspects:</p> <p>(1). Involvement in the Company’s operation.</p> <p>(2). Awareness of the compensation committee and the audit committee’s duties.</p> <p>(3). Enhancement of the quality of the compensation committee and the audit committee’s decision-making.</p> <p>(4). Makeup of the compensation committee and the audit committee and election of its members.</p> <p>(5). Internal controls.</p>
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The Company completed self-assessments of Board performance in 2022 and reported the results to the Board of Directors at the second meeting in 2023 for review and improvement. The weighted average score for the overall performance of the board of directors is 4.74 out of 5. The weighted average score for the performance of the individual directors is 4.65 out of 5. As demonstrated, the overall board’s operation has been effective. The weighted average score for the overall performance of the Functional Committees’ (Audit Committee and Compensation Committee) is 4.83 out of 5. As demonstrated, the Compensation Committee and the Audit Committee are consistent with corporate governance, and effectively enhancing the functions of the Board of Directors.

4.2 Audit Committee attendance

The Company has established an Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act, which is composed of all independent directors.

(1). Professional Qualification and Experience of Independent Directors:

Name	Professional Qualification and Experience
Independent Director Ciou-Lin Chen	<p>Graduated from the Department of Electrical Engineering of National Taiwan University with a Ph.D., is the convener of the Company's Remuneration Committee and a member of the Audit Committee, an adjunct professor at the Graduate Institute of Electrical Engineering of National Taiwan University, independent director of Bestec Power Electronics Co., Ltd. and Senior Deputy Vice President and R&D chief of FocalTech Systems Co., Ltd, former professor of the Department of Electrical Engineering of National Taiwan University, deputy director of the Green Energy Institute of the Industrial Technology Research Institute.</p> <p>He has more than five years of professional qualifications for professors in colleges and universities, and has more than five years of work experience required for business. He is committed to the research of power integrated circuits and power electronics and provide professional advice on the Company's product development and sales.</p>

Name	Professional Qualification and Experience
Independent Director Yong-Sheng Liu	Graduated from the University of Miramar, California with a master's degree in business administration, is the convener of the Company's audit committee and a member of the compensation committee, independent director of Rafael Microelectronics Inc. and Independent director of Novatek Microelectronics Corp. and Independent director of TFBS Bioscience, Inc., and former CFO of Asia-Pacific Region, Applied Materials, Inc. with more than five years of work experience in business, finance, accounting and corporate business, specializing in corporate operations, financial planning and accounting professional affairs, with rich industry experience.
Independent Director Pei-Jun Wu	Graduated from Keio University with a Master of Law in Japan, she is a member of the Company's Audit Committee and Compensation Committee, an associate professor and Director of the Department of Financial Law, MingChuan University. She is the chairman of Songyang Investment Co., Ltd. and Chihyang Investment Co., Ltd., Independent directors of the Flexium Interconnect Inc., and Supervisor of Tainet Communication System Corp., with more than five years of professional qualifications for professors in colleges and universities. She has more than five years of work experience required for legal affairs, finance and business, specializing in the fields of finance and law, assisting companies in legal professional consultation.

(2). The scope of duties of Independent Directors

The Audit Committee is responsible for reviewing the following:

- A. Review and discuss the adoption or amendment for the internal control system
- B. The assessment of the effectiveness of the internal control system
- C. Review and discuss the adoption or amendment, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others
- D. Any matter that has a bearing on the personal interest of director
- E. Material asset or derivatives transactions
- F. Material monetary loans, endorsements or guarantees
- G. Offering, issuance or private placement of any equity-type securities
- H. Hiring or dismissal of an attesting CPA, or the compensation given thereto and performance, qualification and independence of CPAs
- I. Appointment or discharge of financial, accounting or internal auditing officers
- J. Financial reports
- K. Review and discuss the matters related to the annual profit distributions
- L. Review and discuss other material matters required by the Company or the competent authorities

The Audit Committee convened 4 meetings (A) in fiscal year 2022, of which attendance is as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A)	Remarks
Convener	Yong-Sheng Liu	4	0	100.00	—
Member	Ciou-Lin Chen	4	0	100.00	—
Member	Pei-Jun Wu	4	0	100.00	—

Other Matters of Importance:

- Any objections or issues raised by the Audit Committee against resolutions passed by the Board of Directors:

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act

Dates of Board meetings	Contents of motion	Objections or issues by the Audit Committee	Audit Committee's opinion	Company's response
The 2nd meeting of the 9th Board of Directors in 2022 on February 24, 2022	Q4 2021 internal audit report	None	Approved as proposed	Approved as proposed
	The 2021 financial statement of the Company.	None		
	The 2021 earnings distribution of the Company	None		
	The 2021 Internal Control Statement of the Company.	None		
	To approve the issuance of employee restricted stock awards.	None		
	Proposal for a cash offering by private placement and issuance of new shares.	None		
The 3rd meeting of the 9th Board of Directors in 2022 on May 3, 2022	Q1 2022 internal audit report	None	Approved as proposed	Approved as proposed
	The Company's consolidated financial report for the first quarter of 2022.	None		
The 5th meeting of the 9th Board of Directors in 2022 on August 2, 2022	Q2 2022 internal audit report	None	Approved as proposed	Approved as proposed
	The Company's consolidated financial report for the second quarter of 2022.	None		
The 6th meeting of the 9th Board of Directors in 2022 on November 1, 2022	Q3 2022 internal audit report	None	Approved as proposed	Approved as proposed
	The Company's consolidated financial report for the third quarter of 2022.	None		
	The evaluation of the suitability and independence of appointed CPAs.	None		
	2022 the delegation compensation of CPAs.	None		
	The amendment to "Rules of Internal Audit and Internal Control System".	None		
	2023 internal audit plan.	None		

(2) In addition to the items listed above, any resolution passed by over two-thirds of the Board of Directors, but not approved by the Audit Committee: None.

- Any independent directors' avoidance of motions due to conflict of interest: None.
- Communication between Independent Directors and the Internal Audit Chief Officer and CPAs about major financial/operational matters:

(1). Independent directors and internal auditors communication:

A. Provide audit progress reports to independent directors at least once a year, and reports to independent directors according to the Company's annual audit plans and internal control follow-up procedures.

B. At the end of each month, the head of Internal Audit send the audit and follow-up reports for the preceding month, and reports to independent directors according to the Company's annual audit plans and internal control follow-up procedures. Provide audit progress reports to independent directors at least once a quarter. If material unusual matters occur during the auditing process, the head of Internal Audit will produce a report and submit to the independent directors immediately.

C. If there were abnormal events, independent directors and the internal auditors could communicate when necessary.

The independent directors communicated well with internal audit managers.

(2). Summary of communications between Independent Directors and the Internal Audit Chief Officer:

Date	Attendees	Communication Highlights Summary	Communication Results
August 2, 2022	Independent Director Yong-Sheng Liu Independent Director Ciou-Lin Chen Independent Director Pei-Jun Wu Head of internal auditor Hsin-Chien Lee	Recommendations from substantive examination of TWSE and improvement reports of the Company.	Met with no objections from the independent directors after extensive communication between independent directors and the head of internal auditor.
		Emphasis of internal control and trend of internal control.	
		Head of internal auditor responds to questions raised in the meeting.	

(3). Independent directors and independent auditors (CPA):

A. Apart from the once-annually face-to-face corporate governance meetings held by the audit committee and CPA, CPA may use written forms of communication when necessary. The scope of which includes independent auditors' report on the independence of the Company's consolidated financial reports and related responsibilities; audit plans and related matters; major matters relating to the audit (such as adjustment of journal entries and material weaknesses in internal control); findings of the audit report and review of the consolidated financial reports.

B. If there were abnormal events, independent directors and CPA could communicate when necessary.

The independent directors communicated well with CPA.

(4). The major matters of the communications between independent directors and CPA:

Date	Attendees	Communication Highlights Summary	Communication Results
November 1, 2022	Independent Director Yong-Sheng Liu Independent Director Ciou-Lin Chen Independent Director Pei-Jun Wu Chien-Liang Liu CPA, Deloitte & Touche Wen-chin Lin CPA, Deloitte & Touche Head of internal auditor Hsin-Chien Lee	Review and communication with the CPA regarding key items in the 2022 consolidated financial report.	Met with no objections from the independent directors after extensive communication between independent directors and the CPA.
		Review and communication the feasibility and impact of regulation amendments on the report.	
		Review and communication the AQI.	
		CPA responds to questions raised in the meeting.	

4.3 Corporate Governance Implementation Status and Deviations from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"

Evaluation Criteria	Implementation Status			Reason for Non-implementation
	Yes	No	Explanation	
1. Does the Company establish and disclose the proper corporate governance framework based on the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	✓		The Company has established Corporate Governance Best Practice Principles. The Company's principles are available on the Company's official website under "Corporate Governance" and market observation post system (MOPS).	None
2. Shareholding structure & shareholders' rights (1) Has the Company established an internal operating procedure to address shareholders' suggestions, doubts, disputes, and litigation, with proper implementation based on this procedure?	✓		(1) The Company has designated a shareholder service team to handle shareholder suggestions and disputes. Shareholder suggestions, inquiries, disputes, and litigation are handled based on relevant standard operating procedures.	None
(2) Is the Company fully aware of its major shareholders and the ultimate owners of those shares?	✓		(2) The Company reports changes in internal (directors, managers, and shareholders of more than 10% of shares outstanding) shareholding on a monthly basis. The Company's quarterly reports have disclosed the names of shareholders who hold more than 5% equity, the total amount and proportion of the shares they hold, and other relevant information.	None
(3) Does the Company adopt and execute the proper risk management and firewall system within its affiliates?	✓		(3) The Company's internal control system set up the Rules and Procedures on Conducting Transactions between Group Companies and Related Parties and the Rules and Procedures on Monitoring Subsidiaries as risk control mechanisms.	None
(4) Does the Company establish internal rules against insider trading?	✓		(4) The Company has established "Rules and Procedures on insider trading before disclosure", "Rules and Procedures on Handling Internal Material Information" and "Code of Ethics". The Company prevents insider trading by controlling key points in its operations, which prevents Company insiders (employees, managers, and directors) from exploiting non-public information to trade securities. The Company held regular training on preventing insider trading. The Company published "Rules and Procedures on insider trading before disclosure", strictly prohibiting insiders from insider trading with material nonpublic information to buy and sell securities on the market. The stock trading control measures from the date insiders become aware of the contents of the Company's financial reports	None

Evaluation Criteria	Implementation Status			Reason for Non-implementation
	Yes	No	Explanation	
			<p>or relevant results which include, without limitation, those prohibiting a director from trading its shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports. The Company has scheduled the date of board meeting in 2023 to remind managers and directors of stock trading control measures.</p> <p>Implementing of Rules and Procedures in 2022:</p> <p>A. Directors</p> <p>When dismissing directors, the Company provides directors' regulations and publicity manuals, and at any time explain to directors related regulations such as communication insider trading and short-term trading.</p> <p>Every year when planning a director's training plan, arrange education and publicity courses to prevent insider trading and related laws and regulations. The courses completed in 2022 are available on the Company's official website under "Corporate Governance".</p> <p>B. Managers and employees</p> <p>When the manager takes up the position of insider, the Company provides the relevant laws and regulations on the change of insider's equity. Provide education and advocacy in a timely manner within three months of employment.</p> <p>The Company held 0.5-hour online training on preventing insider trading for newly employees in 2022. The course includes an introduction and the elements of insider trading, violations, and case study, etc.</p> <p>A total of 128 employees (including managers) passed education and training 2022. The courses completed in 2022 are available on the Company's official website under "Corporate Governance".</p>	
<p>3. Board of Directors Composition and Responsibilities</p> <p>(1) Does the Board of Directors develop and implement a policy to promote diversity in the composition of its members</p>	✓		<p>(1) Diversity of board members is stipulated in the Company's Code of Practice for Corporate Governance and fully implemented. For the detail information please also see Page 16 "Diversified board of directors".</p>	None
<p>(2) Does the Company voluntarily establish other functional</p>	✓		<p>(2) The Company set up Audit Committee and Compensation Committee, and Nomination</p>	None

Evaluation Criteria	Implementation Status			Reason for Non-implementation
	Yes	No	Explanation	
committees in addition to the Compensation Committee and the Audit Committee?			Committee on November 1, 2022; other functional committees will be set up depending on future needs.	
(3) Does the Company establish and implement on an annual basis a set of assessments to measure the performance of the Board of Directors, report the performance evaluation results to the Board to Directors, and use it as a reference for the compensation of the Board of Directors?	✓		<p>(3) The Company conducts the board performance evaluation once a year by questionnaire of self-evaluation. The evaluation scope includes the Board of Directors as a whole, the individual directors, the Compensation Committee, and the Audit Committee in 2022. The results shall be used as a reference basis when selecting or nominating directors and shall base its determination of an individual director's remuneration on the evaluation results of his or her performance.</p> <p>The Board of Directors are assessed on the following five aspects:</p> <ol style="list-style-type: none"> 1. Involvement in the Company's operation 2. Enhancement of the quality of the board's decision-making 3. Makeup and structure of the board 4. Election of board members and continuing knowledge development 5. Internal controls <p>The individual directors are assessed on the following six aspects:</p> <ol style="list-style-type: none"> 1. Understanding of the Company's goals and mission 2. Awareness of director's duties 3. Involvement in the Company's operations 4. Internal relationship and communication 5. Director's professionalism and continuing knowledge development 6. Internal controls <p>The Compensation Committee and the Audit Committee are assessed on the following five aspects:</p> <ol style="list-style-type: none"> 1. Involvement in the Company's operation 2. Awareness of the compensation committee and the audit committee's duties 3. Enhancement of the quality of the compensation committee and the audit committee's decision-making 4. Makeup of the compensation committee and the audit committee and election of its members 5. Internal controls <p>The Company completed self-assessments of Board performance in 2022 and reported the results to the Board of Directors at the second meeting in 2023 for review and improvement. The weighted average score for the overall performance of the board of directors is 4.74 out of 5. The weighted average score for the performance of the individual directors is 4.65 out of 5. As demonstrated, the overall board's operation has been effective. The weighted average score for the overall performance of the Compensation Committee and the Audit</p>	None

Evaluation Criteria	Implementation Status			Reason for Non-implementation
	Yes	No	Explanation	
			Committee's is 4.83 out of 5. As demonstrated, the Compensation Committee and the Audit Committee are consistent with corporate governance, and effectively enhancing the functions of the Board of Directors.	
(4) Does the Company regularly evaluate the independence of its CPAs?	✓		(4) At least once a year, the Company evaluates the independence and suitability of its CPA. The Company also evaluates the accounting firm with regard to its financial interests, funding and guarantees, commercial relations, family and personal relations, employment relations, gifts and special offers rotation of CPAs, and non-audit services, and obtains a statement of independence issued by the accounting firm. The results of the most recent evaluations in the last two years were reviewed and approved to the Board on November 1, 2022 and February 21, 2023. The Company will evaluate the independence and suitability of its CPA, in addition to requiring statement of independence issued by the accounting firm, and refer to 13 indicators of audit quality indicators (AQIs), and report the evaluation results to the Board.	None
4. Has the Company allocated suitable and sufficient corporate governance staff and appointed a manager of corporate governance responsible for corporate governance matters (including, but not limited to, furnishing information required for business execution by directors, assisting directors in complying with laws and regulations, handling matters related to board and shareholder meetings in accordance with the laws, producing minutes of board and shareholder meetings, etc.)?	✓		The Company has deployed Corporate Governance personnel, who are assumed by the staff of the Finance and Administrative Management Department, to conducted matters relating to of the Audit Committee, the Compensation Committee, the board of directors and the general shareholders meeting, recorded minutes of Board Meetings and Shareholder Meetings, assisted in the matters of director appointment and profession enhancement, provided directors with related information required in conducting business, assist directors in compliance with laws, and regularly conduct performance evaluation pursuant to the rules for "Board of Directors Self-Assessment of Performance". The Company's board of directors will appoint the supervisor for Corporate Governance before June 30,2023.	None
5. Has the Company established a communication channel and designated a website section for its stakeholders (including but not limited to shareholders, employees, customers, and suppliers) as well as to handle all CSR-related issues?	✓		Sections on investor relations, procurement and CSR have been set up on the Company's official website and integrated into one comprehensive stakeholders' section. Special personnel have been assigned to handle CSR related issues.	None
6. Does the Company appoint a professional shareholder service agency to handle shareholder meeting affairs?	✓		The Company has engaged the Transfer Agency and Registry Department of Yuanta Securities Co., Ltd. to manage its annual general meeting.	None

Evaluation Criteria	Implementation Status			Reason for Non-implementation
	Yes	No	Explanation	
7. Information Disclosure (1) Does the Company have a corporate website to disclose all information regarding finances, the business, and corporate governance?	✓		(1) Disclosure of financial-related and corporate governance information is posted periodically on the Company's website.	None
(2) Does the Company have other information disclosure channels (e.g. English website, designated personnel to handle information collection and disclosure, spokesperson system, investor conference webcasts, etc.)?	✓		(2) Aside from having a spokesperson, the Company has a dedicated department, the Investor Relations Division, to handle information disclosure. It also has an English website and a team working on gathering and releasing relevant Company information.	None
(3) Does the Company report its annual financial report within two months after the end of the fiscal year and announce the first, second, and third quarter financial reports and monthly operating updates before the prescribed deadlines?	✓		(3) The Company has announced and filed its annual financial report within two months after the end of the fiscal year. The financial reports for the first, second, and third quarters were approved by the board of directors, and the operating conditions of each month were announced and declared before the specified deadline. The relevant information was also disclosed on the MOPS and Our Company website.	None
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices? (including but not limited to employee rights, employee care, investor relations, supplier relations, the rights of interested parties, directors and supervisors, the implementation of risk management policies and risk measurement standards, the implementation of customer policies, and the company Purchase of liability insurance for directors and supervisors, etc.)?	✓		<p>(1) Employee rights: The Company has always adhered to the belief of labor-management integration, coexistence and co-prosperity, emphasizes rationalized, institutionalized, and humanized management, respects the wishes and needs of employees, and shares benefits in accordance with the principles of labor law. Communicate and coordinate to establish a good labor-management relationship.</p> <p>(2) Investor relations: In accordance with relevant regulations, the Company immediately announces important company information about finance, business, and insider shareholding changes in the MOPS. The Company's website also sets up an investor area to disclose the company's financial business information. The minutes of the shareholders' meetings of the company are recorded in accordance with the company law and relevant laws and regulations. The minutes of the shareholders' meetings have been published on the company's website and are permanently stored in the company.</p> <p>(3) Supplier relations: The Company establishes a long-term close relationship with suppliers based on the principle of win-win, and hopes to pursue mutual trust and mutual benefit together to pursue sustainable growth.</p> <p>(4) Rights of stakeholder: Stakeholders may communicate with the Company and make suggestions to safeguard their legitimate rights and interests.</p> <p>(5) Directors' training record: The directors have relevant professional</p>	None

Evaluation Criteria	Implementation Status			Reason for Non-implementation
	Yes	No	Explanation	
			<p>knowledge and follow the relevant laws and regulations to study securities regulations and other courses, and meet the requirements of the training hours. Please refer to the following Table 1: Directors' Continuing Education Records for fiscal year 2022. (Page 38).</p> <p>(6) Implementation of risk management policies and risk assessments: The Company has always carried out related risk management based on the principle of soundness, and has established a strict internal control system to prevent various risks. The internal audit unit regularly and irregularly checks the implementation of the internal control system, and also insures property insurance.</p> <p>(7) Implementation of customer relations policies: The Company maintains a stable and good relationship with customers and upholds the customer first policy to create company profits.</p> <p>(8) Insurance for directors: The Company has purchased liability insurance for directors to strengthen the protection of shareholders' rights and interests.</p>	

9. Please explain items that have been already improved and priority measures to reinforce matters haven't been improved, in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange.

Item	Indicator	Status of Improvement
Improved	2.14	The Company set up Audit Committee and Compensation Committee, and Nomination Committee on November 1, 2022; other functional committees will be set up depending on future needs.
	3.4	The Company has announced and filed 2021 financial report on February 24, 2022, which is within two months after the end of the fiscal year.
	3.20	The Company held Investor Conference on July 29, 2022 and November 9, 2022 respectively, and the interval between the two Investor Conference was more than three months.
	4.13	The Company obtained ISO 14001 certification in April 2022.
Priority measures to reinforce	4.6	The Company has formulated human rights policies and specific management plans, and disclosed them on the Company website.

Summary:

In order to promote the Company's sustainable development blueprint and strengthen Corporate Governance, the Company plans to set up a "Sustainable Development Committee" in 2023 which is composed of Independent Directors and senior managers to strengthen the Company's constitution and the concept of sustainable development.

Table 1. Directors' Continuing Education Records for fiscal year 2022

Name	Training Period	Organizer	Course Name	Course Hours
Fu-Chi Teng Chairman	April 28, 2022	Taiwan Corporate Governance Association	5G shapes Digital Transformation of Enterprises and new look of competition	3
	August 18, 2022	Taiwan Corporate Governance Association	Global Trend Analysis - Risks and Opportunities	3
Chih-Cheng Chang Director	August 16, 2022	Taiwan Securities Association	Corporate Legal Compliance and Directors' Supervisory Duty	3
	August 18, 2022	Taiwan Securities Association	Global Trend Analysis - Risks and Opportunities	3
Shih-Chieh Tsai Director	October 28, 2022	Taiwan Corporate Governance Association	Facing the pressure of climate change: Creating sustainable competitiveness	3
	October 28, 2022	Taiwan Corporate Governance Association	"Net Zero", "Carbon neutrality", and Corporate Legal Compliance	3
Ji-Yu Yang Director	March 25, 2022	Accounting Research and Development Foundation	TCFD disclosure and new green value paradigm of low carbon	3
	May 9, 2022	Accounting Research and Development Foundation	Seminar of Corporate income tax filing practices	3
Ciou-Lin Chen Independent Director	August 19, 2022	Taiwan Corporate Governance Association	Cases on corporate control fight in Taiwan	3
	August 23, 2022	Taiwan Corporate Governance Association	Enterprise Financial Information Analysis and Application of Decision-making	3
Yong-Sheng Liu Independent Director	October 27, 2022	Securities and Futures Institute	TCFD disclosure practices and the role of directors	3
	October 28, 2022	Taiwan Corporate Governance Association	Facing the pressure of climate change: Creating sustainable competitiveness	3
	October 28, 2022	Taiwan Corporate Governance Association	"Net Zero", "Carbon neutrality", and Corporate Legal Compliance	3
Pei-Jun Wu Independent Director	July 13, 2022	Taiwan Stock Exchange Corporation	Sustainable Development Roadmap	2
	September 29, 2022	Taiwan Stock Exchange Corporation	Release Conference 2022: Reference guide for Independent Director and Audit Committee	3
	October 28, 2022	Securities and Futures Institute	Discussion on Legal Issues Related to Insider Trading	3

4.4 Compensation Committee and Nominate Committee Composition, Responsibilities and Operations

1. Compensation Committee Composition, Responsibilities and Operations

The Compensation Committee, composed entirely of independent directors, is bound by the Compensation Committee Charter. The committee is responsible for the following:

- A. Establish a policy, system, standard and structure for directors' and managers' compensation and review them periodically.
- B. Decide compensation of directors and managers and carry out periodic evaluations.

(1). Compensation Committee Member Profiles

Title	Name	Professional Qualification and Experience	Number of Other Public Companies in which the Individual is Concurrently Serving as Compensation Committee's Member
Independent Director	Ciou-Lin Chen	Please refer to Page 14 for “Qualifications and independence criteria of directors”	1
Independent Director	Yong-Sheng Liu		3
Independent Director	Pei-Jun Wu		1

(2). The Compensation Committee Operation

A. The Compensation Committee is currently comprised of 3 members.

B. Current Compensation Committee Member Terms: August 6, 2020, through June 14, 2023; the committee convened 2 meetings (A) in 2022, of which attendance is as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A)	Remarks
Convener	Ciou-Lin Chen	2	0	100.00	
Member	Yong-Sheng Liu	2	0	100.00	
Member	Pei-Jun Wu	2	0	100.00	

C. Other Matters of Importance:

- a. In circumstances where the Board of Directors declines to adopt, or make modifications based on, recommendations from the Compensation Committee: None.
- b. In circumstances where resolutions of the Compensation Committee were objected to by members, or members had a reserved opinion, and were recorded or declared in writing: None.
- c. Compensation Committee discussions and resolutions:

Dates of Compensation Committee Meetings	Contents of Motion	Resolutions of the Compensation Committee	The Company's Responses to the Compensation Committee's Recommendations
1st Session of the 5th Compensation Committee in 2022 February 24, 2022	The 2021 earning distribution for compensation to directors and employee.	Approved by all members in attendance.	Reported to the Board for review and approval.
2nd Session of the 5th Compensation Committee in 2021 August 2, 2022	Issuance of 2022 restricted stock award for managerial officers.	Approved by all members in attendance.	Reported to the Board for review and approval.

2. Nominate Committee Composition, Responsibilities and Operations

The Company set up Nomination Committee on November 1, 2022. There are 3 members in the Company's Nominate Committee. The Committee is composed of three directors; a

majority of the Committee members shall be independent directors (including two independent directors).

With authorization from the board of directors, the Committee shall exercise the due care of a good administrator to faithfully perform the following duties and shall submit its proposals to the board for discussion. The Committee is responsible for the following:

- A. Laying down the standards of independence and a diversified background covering the expertise, skills, experience, gender, etc. of members of the board, and senior executives, and finding, reviewing, and nominating candidates for directors, and senior executives based on such standards.
- B. Establishing and developing the organizational structure of the board and each committee, and evaluating the performance of the board, each committee, and each director and senior executive and the independence of the independent directors.
- C. Establishing and reviewing on a regular basis programs for director continuing education and the succession plans of directors and senior executives.
- D. Establishing corporate governance guidelines of the Company.

(1). Nominate Committee Member Profiles

Title	Name	Professional Qualification and Experience	Number of Other Public Companies in which the Individual is Concurrently Serving as an Independent Director
Independent Director	Pei-Jun Wu	Please refer to Page 14 for “Qualifications and independence criteria of directors”	1
Independent Director	Yong-Sheng Liu		3
Director	Fu-Chi Teng		1

(2). The Nominate Committee Operation

- A. The Nominate Committee is currently comprised of 3 members.
- B. Current Nominate Committee Member Terms: November 1, 2022, through June 14, 2023; the committee convened 0 meetings (A) in 2022, of which attendance is as follows:


Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A)	Remarks
Convener	Pei-Jun Wu	0	0	0	Note
Member	Yong-Sheng Liu	0	0	0	
Member	Fu-Chi Teng	0	0	0	

Note: Nomination Committee has not yet convened in 2022.

C. Other Matters of Importance:

In circumstances where the Board of Directors declines to adopt, or make modifications based on, recommendations from the Nominate Committee: None.

4.5 Status of Fulfilling Sustainable Development and Differences and Causes of Sustainable Development Best Practice Principles

Evaluation Criteria	Implementation Status			Reason for Non-implementation
	Yes	No	Explanation	
1.Has the Company established a ESG unit (full- or part time), with a senior manager authorized by the Board of Directors to handle and report related activities to the Board of Directors?	✓		<p>1. The structure of the Company to promote sustainable development is as following:</p>  <pre> graph TD President[President] --> IRD[Investor Relations Department] IRD --> HRD[HR Administration Department] IRD --> OD[Operations Division] IRD --> QAD[Quality Assurance Division] IRD --> SD[Sales Division] </pre> <p>2.The implementation status of each organization of the company is as following:</p> <p>(1). The Company established Sustainable Development Unit on January 1, 2022 after reported to the 1st meeting of the 9th board of directors. The President serves as the convener, and the Investor Relations Department is a part-time unit for Sustainable Development Unit.</p> <p>(2). Implementation unit is formed by Human Resources Administration Department, Operations Division, Quality Assurance Division, and Sales Division. Investor Relations Department is responsible for align with the trends of corporate governance, promote the functioning of the board of directors, and implement regulatory compliance. Human Resources Administration Department is responsible for implement labor relations, employee health and safety, greenhouse gas emissions and waste management. Operations Division is responsible for improve supply chain management, assess raw material procurement and the physical impact of climate change. Quality Assurance Division is responsible for improve product quality and safety, and manage product life cycles. Sales Division is responsible for protect customer privacy, customer welfare, and manage product life cycles.</p> <p>(3). The Sustainable Development Unit reported the implementation status to the Board on January 11, 2022 and November 1, 2022 respectively.</p> <p>3. The Board supervises strategy and implementation of sustainable development, and the Sustainable Development Unit reports the annual implementation priorities and performances, communication results of stakeholders to the Board at least twice per annum. The Board evaluates related strategies, and the effectiveness of implementation plans and urge management to make adjustments when required.</p>	None

Evaluation Criteria	Implementation Status			Reason for Non-implementation												
	Yes	No	Explanation													
2. Does the company follow principles of materiality in evaluating the risks of environmental, social, and corporate governance, and establish relevant policies or strategies	✓		<div><div>The Company based on the principle of Materiality, conducts risk assessments and planning on environmental, social and corporate governance issues related to the company's operations including risk identification, risk analysis and evaluation, risk response and risk management policies are as following:</div><table><tr><th>Key topics</th><th>Risk evaluation items</th><th>Explanation</th></tr><tr><td>Environmental</td><td>Environmental protection, climate change</td><td>Conduct annual reviews of international environmental protection trends and formulate environmental protection measures according to operational needs; we also conduct internal training and promotion to help our employees understand the impacts on climate change and the Company's environmental protection themes for the year so that they can adhere to various environmental protection policies when carrying out their job duties.</td></tr><tr><td>Social</td><td>Workplace safety, employee recruitment and training</td><td>Assure conformance of labor policy to the legal requirements of domestic and international human-rights conventions Hold labor-management meeting regularly, discussing implementation of human-rights policy, labor environment and conditions, policy and compensations/ fringe benefits for attaining consensus, to assure information transparency and smooth communication between the two parties.</td></tr><tr><td>Governance</td><td>Legal compliance; The Board function; Stakeholder engagement</td><td>Plan trainings on related topics for the directors and provide corporate governance related information depending on the Company's needs and change of regulation. Ensure all employees and operations in the Company conform to related regulation and internal standards. Construct various communication channels to engage with stakeholders.</td></tr></table></div>	Key topics	Risk evaluation items	Explanation	Environmental	Environmental protection, climate change	Conduct annual reviews of international environmental protection trends and formulate environmental protection measures according to operational needs; we also conduct internal training and promotion to help our employees understand the impacts on climate change and the Company's environmental protection themes for the year so that they can adhere to various environmental protection policies when carrying out their job duties.	Social	Workplace safety, employee recruitment and training	Assure conformance of labor policy to the legal requirements of domestic and international human-rights conventions Hold labor-management meeting regularly, discussing implementation of human-rights policy, labor environment and conditions, policy and compensations/ fringe benefits for attaining consensus, to assure information transparency and smooth communication between the two parties.	Governance	Legal compliance; The Board function; Stakeholder engagement	Plan trainings on related topics for the directors and provide corporate governance related information depending on the Company's needs and change of regulation. Ensure all employees and operations in the Company conform to related regulation and internal standards. Construct various communication channels to engage with stakeholders.	None
Key topics	Risk evaluation items	Explanation														
Environmental	Environmental protection, climate change	Conduct annual reviews of international environmental protection trends and formulate environmental protection measures according to operational needs; we also conduct internal training and promotion to help our employees understand the impacts on climate change and the Company's environmental protection themes for the year so that they can adhere to various environmental protection policies when carrying out their job duties.														
Social	Workplace safety, employee recruitment and training	Assure conformance of labor policy to the legal requirements of domestic and international human-rights conventions Hold labor-management meeting regularly, discussing implementation of human-rights policy, labor environment and conditions, policy and compensations/ fringe benefits for attaining consensus, to assure information transparency and smooth communication between the two parties.														
Governance	Legal compliance; The Board function; Stakeholder engagement	Plan trainings on related topics for the directors and provide corporate governance related information depending on the Company's needs and change of regulation. Ensure all employees and operations in the Company conform to related regulation and internal standards. Construct various communication channels to engage with stakeholders.														
3.Environment (1) Does the Company establish proper environmental management systems in line with its industry characteristics?	✓		<div>The Company is a fabless company. All the production of wafers is outsourced. All the OEMs comply with the requirements of the environmental laws and regulations. The Company established the environmental management system according to ISO-14001</div>	None												

Evaluation Criteria	Implementation Status			Reason for Non-implementation																					
	Yes	No	Explanation																						
			and continues to implement various environmental management systems through third-party certification.																						
(2) Is the Company committed to improving the utilization efficiency of various resources and using recycled materials with a low environmental footprint?	✓		The Company actively promotes various energy reduction measures, such as the selection of LED lighting equipment in 2022 to continuously improve energy efficiency. The raw materials used by the Company are in compliance with the EU's RoHS, REACH, and halogen-free regulations. Suppliers who use recycled materials and renewable energy to manufacture products are given priority to reduce pollution and reduce the impact on the environment.	None																					
(3) Does the Company evaluate the impact of climate change on the Company's current and future potential risks and opportunities, and adopt measures to respond to climate-related issues?	✓		In the annual ISO14001 management review meeting of the Company, relevant departments propose climate change strategies and objectives, countermeasures for managing climate change risks and opportunities, and continuously evaluate the potential risks and opportunities of climate change for the company. The Company continues to promote energy conservation, carbon reduction, Greenhouse gas reduction, reduction of water use and other waste management programs.	None																					
(4) Does the company collect information on greenhouse gas emissions, water consumption, and total weight of waste in the past two years, and formulate policies on energy conservation and carbon reduction, greenhouse gas reduction, water usage reduction, or other waste management policies?	✓		<div>1. The Company conducts greenhouse gas emission verification annually, greenhouse gas emission in the past two years: Unit: ton CO2e</div> <table><tr><th>Year</th><th>Scope 1</th><th>Scope 2</th><th>Intensity ratio</th></tr><tr><td>2021</td><td>10.38</td><td>476.58</td><td>3.80</td></tr><tr><td>2022</td><td>10.68</td><td>459.19</td><td>3.56</td></tr></table> <div>The emissions in 2022 (Scope 1 and Scope 2) decreased by 3.51% compared with 2021. The company has a five-year greenhouse gas emission reduction target, with an average growth rate of emissions not exceeding 5% in 2027, in order to mitigate the impact of climate change.</div> <div>2.The Company has long been paying attention to water resource environmental protection issues. In terms of water saving, by implementing daily water conservation, the effectiveness of water resource can be maximized. Water consumption in the past two years: Unit: ton</div> <table><tr><th>Year</th><th>Total water consumption</th><th>Intensity ratio</th></tr><tr><td>2021</td><td>2,742.28</td><td>21</td></tr><tr><td>2022</td><td>2,713.49</td><td>21</td></tr></table> <div>The Company invested in various improvement measures, such as using water-saving apparatuses (including</div>	Year	Scope 1	Scope 2	Intensity ratio	2021	10.38	476.58	3.80	2022	10.68	459.19	3.56	Year	Total water consumption	Intensity ratio	2021	2,742.28	21	2022	2,713.49	21	None
Year	Scope 1	Scope 2	Intensity ratio																						
2021	10.38	476.58	3.80																						
2022	10.68	459.19	3.56																						
Year	Total water consumption	Intensity ratio																							
2021	2,742.28	21																							
2022	2,713.49	21																							

Evaluation Criteria	Implementation Status			Reason for Non-implementation									
	Yes	No	Explanation										
			<div> <div>inductive water-saving faucet and water-saving toilet). The total water consumption in 2022 was 1% lower than that in 2021, reaching the target of 1%, which was set in 2021.</div> <div> <div>3. Waste disposal in the past two years:</div> <div>Unit: ton</div> <table> <tr> <th>Year</th> <th>Total waste disposal</th> <th>Intensity ratio</th> </tr> <tr> <td>2021</td> <td>1.32</td> <td>0.01</td> </tr> <tr> <td>2022</td> <td>2.46</td> <td>0.02</td> </tr> </table> <div> <div>The Company is a fabless design company with no hazardous waste. The total weight of waste in 2022 increased by 86% compared with 2021.</div> <div>For the purpose of achieving the maximum benefits of effective waste management and recycling, The Company focuses on the reduction of waste. The Company effectively sorts out, recycles, re-uses, and properly disposes waste, and continues to limit the impact from storage, transportation, and processing of waste have on the environment. In order to effectively control the flow of waste, we have carefully selected qualified waste disposal and recycling suppliers, as well as audited the legitimacy of the waste disposal process randomly to take responsibility for supervising waste management.</div> </div> </div> </div>	Year	Total waste disposal	Intensity ratio	2021	1.32	0.01	2022	2.46	0.02	
Year	Total waste disposal	Intensity ratio											
2021	1.32	0.01											
2022	2.46	0.02											
<div>4. Social Responsibilities</div> <div>(1) Does the Company formulate appropriate management policies and procedures in accordance with relevant regulations and international human rights conventions?</div>	✓		<div>This Company supports the spirit of protecting human rights and basic principles held in the United Nations' Universal Declaration of Human Rights, Global Compact, and Guiding Principles on Business and Human Rights, as well as the International Labor Organization's Declaration of Fundamental Principles and Rights at Work and other international conventions – to ensure that basic human rights are not violated, and that all employees are treated with dignity and respect. The Company's human rights policy is available on our website.</div>	None									

Evaluation Criteria	Implementation Status			Reason for Non-implementation												
	Yes	No	Explanation													
			<table><tr><th>Task</th><th>Program and Outcomes</th></tr><tr><td>Protection of workplace human rights</td><td>1. Comply with local government labor laws, international standards, and APEC's Human Rights Policy, and act in accordance with internal regulations. 2. Provide employees with a work environment of gender equality and diversity; uphold the principles of openness and fairness; do not discriminate against people through language, attitudes, or acts on the basis of gender, race, class, age, marital status, language, beliefs, religion, political affiliation, ancestral home, place of birth, looks, facial features, disability status, etc.; and by doing so, create a work environment of dignity, safety and equality free from discrimination and harassment. As of end of December 2022, no discrimination complaints had been received.</td></tr><tr><td>Implementing Equal Pay for Equal Work</td><td>1. Provide employees with reasonable wages and social insurance as regulated by laws. 2. Help stabilize employees' livelihood, improve work efficiency, and implement a variety of benefit measures.</td></tr><tr><td>Providing a healthy, safe work environment</td><td>1. Make Zero Accidents the goal for management. 2. Conduct employee health examinations on a yearly basis, and carry out grade-appropriate tracking and management based on health examination results, to prevent health risks.</td></tr><tr><td>Prohibition on child labor</td><td>The Company's employment criteria comply with the minimum working age restrictions set by local regulations. As of end of December 2022, no child labor had been employed.</td></tr><tr><td>Establishment of an unobstructed communications platform for labor-management negotiation, to achieve harmonious relations</td><td>The Company emphasizes employee-friendly management, and realizes that employees and employer share the same prospects and enjoy the same prosperity. The Company holds regular labor-management meetings to maintain smooth communication between employees and the management.</td></tr></table>	Task	Program and Outcomes	Protection of workplace human rights	1. Comply with local government labor laws, international standards, and APEC's Human Rights Policy, and act in accordance with internal regulations. 2. Provide employees with a work environment of gender equality and diversity; uphold the principles of openness and fairness; do not discriminate against people through language, attitudes, or acts on the basis of gender, race, class, age, marital status, language, beliefs, religion, political affiliation, ancestral home, place of birth, looks, facial features, disability status, etc.; and by doing so, create a work environment of dignity, safety and equality free from discrimination and harassment. As of end of December 2022, no discrimination complaints had been received.	Implementing Equal Pay for Equal Work	1. Provide employees with reasonable wages and social insurance as regulated by laws. 2. Help stabilize employees' livelihood, improve work efficiency, and implement a variety of benefit measures.	Providing a healthy, safe work environment	1. Make Zero Accidents the goal for management. 2. Conduct employee health examinations on a yearly basis, and carry out grade-appropriate tracking and management based on health examination results, to prevent health risks.	Prohibition on child labor	The Company's employment criteria comply with the minimum working age restrictions set by local regulations. As of end of December 2022, no child labor had been employed.	Establishment of an unobstructed communications platform for labor-management negotiation, to achieve harmonious relations	The Company emphasizes employee-friendly management, and realizes that employees and employer share the same prospects and enjoy the same prosperity. The Company holds regular labor-management meetings to maintain smooth communication between employees and the management.	
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Evaluation Criteria	Implementation Status			Reason for Non-implementation
	Yes	No	Explanation	
			<div>Prohibition of forced and involuntary labor</div> <p>Comply with local government labor laws, international standards, and APEC's Human Rights Policy to respect employees' wishes and prohibit forced labor.</p> <p>The Company will pay close attention to issues related to human rights protection, and promote educational training to enhance awareness of human rights protection and reduce the incidence of related risks.</p>	
(2) Does the company formulate and implement reasonable employee benefits (including compensation, vacation, and other benefits), and appropriately reflect operating performance or results in employee compensation?	✓		<p>Employee compensation</p> <p>The Company regularly measures the market compensation level, links company performance to employee compensation and bonus, and refers to overall economic indicators to formulate reasonable compensation, and ensures the overall compensation and bonus are competitive. Meanwhile, through regular performance appraisal and a two-way communication and interaction platform, and corresponding rewards are given according to performance results, so as to encourage employees and the Company to grow together.</p> <p>The Company provides sustainable, reasonable, and competitive compensation to attract top-tier talent and strengthen retention of existing employees. The Company has also established an employee shareholding trust to demonstrate the Company's goal of sharing operating results with employees. In addition to strengthening the retention of existing talents, it is also to attract outstanding talents to join the new bureau.</p> <p>Employee welfare measures</p> <p>The Company provides benefits that exceed legal compliance requirements, including flexible working hours, labor bonuses for Dragon Boat Festival, Moon Festival, and labor Day, senior employee bonuses, childcare allowances, special leave and vaccination leave, labor health insurance, group insurance and vaccine insurance, free employees health checks and health check discounts for employees' family members, reduced working hours for childcare, and the establishment of employee welfare committees and employee stock ownership trusts, in order to promote harmonious labor-management relations and enhance the highest welfare of employees. There is no employee of the Company applied for parental leave in 2022.</p> <p>Diversity and equality in the workplace</p> <p>The Company is committed to creating a friendly and fair workplace, providing equal compensations and promotion opportunities to talents. The proportion of female employees at was 59% on December 31, 2022, details as</p>	None

Evaluation Criteria	Implementation Status			Reason for Non-implementation												
	Yes	No	Explanation													
			<p>follows:</p> <table><tr><td></td><td>Female</td><td>Male</td></tr><tr><td></td><td>%</td><td>%</td></tr><tr><td>Top managers</td><td>42%</td><td>58%</td></tr><tr><td>All employees</td><td>59%</td><td>41%</td></tr></table> <p>In addition, the Company value employee welfare, providing physical and mental healthcare for various employee groups to maintain a good working environment, including (1) maternal healthcare, such as setting up breastfeeding rooms; (2) providing professional consultation service in areas of work, family and mental health counseling through external Physicians.</p> <p>Business performance reflecting on employee compensation</p> <p>According to the Company’s Articles of Incorporation §22, if the company makes a profit during the year, no less than 8% shall be allocated for employee remuneration. However, when there are accumulated losses, the compensation amount shall be reserved in advance. Employees of the company meeting certain specific requirements are entitled to receive employee remuneration in shares or cash. The requirements are authorized to be determined by the Board.</p> <p>The Company’s operating performance also reflects on employees’ compensation, and employees’ welfare expenses. The increase in employees’ base salary and bonus expenses reflected from the link to the Company’s operating performance demonstrates the spirit of profit sharing with employees and encourages all employees to make effort for the Company’s target.</p> <p>According to statistics of the Taiwan Stock Exchange (TWSE), it shows an annual growth trend in terms of average cost of employee remuneration, average salary and median salary of full-time non-managerial employees.</p>		Female	Male		%	%	Top managers	42%	58%	All employees	59%	41%	
	Female	Male														
	%	%														
Top managers	42%	58%														
All employees	59%	41%														
(3) Does the Company provide a safe and healthy working environment, and provide training on health and safety and health for its employees on a regular basis?	✓		<p>The Company aims to provide a safe, healthy and comfortable working environment, promote health and safety management, so that employees can develop correct concepts and healthy minds and bodies. The Company purchased the Taipei office and renovated the Hsinchu office. In addition to the breastfeeding room, a gym and fitness facilities were added to create a high-quality and healthy working environment.</p> <p>The Company regularly implements work environment inspections and employee safety education. The Company established a "Procedure of the Occupational Safety and</p>	None												

Evaluation Criteria	Implementation Status			Reason for Non-implementation
	Yes	No	Explanation	
			<p>Health " and conducts annual health checks for employees to ensure their safety and health.</p> <p>In 2022, there were 131 trainees in occupational safety training, and the total number of training hours was 393 hours.</p> <p>In response to COVID-19 pandemic, the Company provided COVID-19 insurance, COVID-19 care leave, and established the COVID-19 pandemic network, and provided consultation and care by special personnel.</p> <p>There were 1 occupational accidents among employees, the cause was a traffic accident on the way to and from get off work, and the number of occupational accidents accounted for 0.76% of the total number of employees in 2022.</p>	
(4) Does the Company establish effective career development programs for its employees?	✓		<p>The Company creates a good environment for the career development of employees, and establishes an effective career ability development training program, encourages employees to improve themselves, and participates in vocational training courses for different career abilities, so as to enhance their professional abilities and practice employees' careers. Development goals, and then achieve business goals.</p> <p>The Company plans a complete functional training, including newcomer training, professional advanced training, manager training, etc., to help employees continue to learn and grow through multiple learning methods, introduce corporate ethics, and cultivate colleagues' key capabilities.</p> <p>In 2022, the completion rate of newcomer education and training was 100%. A total of 14 classes were completed for external training courses, with 55 people attending the class. A total of 13 internal training courses were held, with a total of 552 people, and the completion rate was 97.9%.</p>	None
(5) With respect to customer health and safety of products and services, customer privacy, marketing, and labeling, does the Company comply with relevant regulations and international standards, and formulate related consumer protection policies and appeal procedures?	✓		<p>The Company has established customer complaint handling procedures and established a customer-oriented quality system in order to achieve a win-win situation for the company and customers. In addition, the Company values customer opinions. In addition to individual visits, a special area for interested parties is also set up on the Company's website to provide contacts and methods for questions, complaints or suggestions to protect customer rights.</p> <p>The Company has a personal data protection</p>	None

Evaluation Criteria	Implementation Status			Reason for Non-implementation						
	Yes	No	Explanation							
			management system to protect customer privacy. The Company protect customers' data through internal audits, crisis prevention and training.							
(6) Does the Company have a supplier management policy that requires suppliers to comply with and implement relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights?	✓		<div><p>The Company requires suppliers to fulfill their corporate social responsibilities and not to have negative impacts on the environment and society.</p><p>The Company has a " Procedure for Supplier Control " to ensure that suppliers meet the ethical standards and integrity management requirements for environmental protection, human rights and sustainable development without endangering basic rights.</p><p>Implementation of supplier management:</p><table><tr><td>Supplier evaluation</td><td>1.Suppliers must pass supplier assessment and comply with the Supplier Code of Conduct. 2. The supplier must comply with the local government's relevant environmental protection regulations on air pollution prevention and control, water pollution prevention and control, waste and resource management, etc. 3. Suppliers must complete environmental safety questionnaires, and the return rate of questionnaires in 2022 reached 100%.</td></tr><tr><td>Supplier audit</td><td>Carry out supplier audits every six months, track deficiencies and improvement situations, and provide counseling and suggestions for improvement.</td></tr><tr><td>Supplier praise</td><td>In addition to delivering sustainability concepts and goals to suppliers every year, the company also strengthens its cooperative relationship with suppliers that have been well evaluated (such as quality improvement, cost reduction, delivery assurance, sustainable performance, etc.).</td></tr></table></div>	Supplier evaluation	1.Suppliers must pass supplier assessment and comply with the Supplier Code of Conduct. 2. The supplier must comply with the local government's relevant environmental protection regulations on air pollution prevention and control, water pollution prevention and control, waste and resource management, etc. 3. Suppliers must complete environmental safety questionnaires, and the return rate of questionnaires in 2022 reached 100%.	Supplier audit	Carry out supplier audits every six months, track deficiencies and improvement situations, and provide counseling and suggestions for improvement.	Supplier praise	In addition to delivering sustainability concepts and goals to suppliers every year, the company also strengthens its cooperative relationship with suppliers that have been well evaluated (such as quality improvement, cost reduction, delivery assurance, sustainable performance, etc.).	None
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Supplier audit	Carry out supplier audits every six months, track deficiencies and improvement situations, and provide counseling and suggestions for improvement.									
Supplier praise	In addition to delivering sustainability concepts and goals to suppliers every year, the company also strengthens its cooperative relationship with suppliers that have been well evaluated (such as quality improvement, cost reduction, delivery assurance, sustainable performance, etc.).									
5. Does the company refer to internationally accepted reporting standards or guidelines for compiling reports on non-financial information, such as ESG reports? Did the previous release reports obtain a confirmation or assurance opinion from a third party verifier?		✓	The Company does not prepare a ESG Report.	As explained on the left.						

Evaluation Criteria	Implementation Status			Reason for Non-implementation
	Yes	No	Explanation	
6. If the Company has established the ESG principles based on " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies ", please describe any discrepancy between the Principles and their implementation: None.				
7. Other important information to facilitate better understanding of the Company's ESG practices: To be philanthropic with our employees, the “Guidelines for Donations to Welfare Organization” are established. The employees may decide the amount and the counterparties they want to contribute to, and the Company will join the contribution. The Company will contribute the same amounts as the donations of the employees to the public welfare organizations. In 2022, the Company mainly donated masks to the Association for the Promotion of Diversified Development of Indigenous Peoples and the School of Engineering of Sun Yat-sen University as teaching research and activity funds for the Department of Electrical Engineering. The accumulated donation amount reached NT\$1,724,900. And the employees also contributed their heart and soul to help social welfare organizations in need, and the accumulated donation amount reached NT\$280,000.				

4.6 Ethical Corporate Management and Differences and Causes of CSR Practices

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
1. Enactment of ethical corporate management policies and programs (1) Does the Company disclose its ethical corporate management policies and procedures in its official charter and material documents issued externally, as well as the commitment of the Board of Directors and management team to its implementation?	✓		The Company has enacted the " Ethical Management Best Practice Principles." Its formulation and amendments were approved by the Board of Directors. It clearly stipulates that the directors, managers and employees of the company should abide by laws and regulations and prevent dishonest behaviors in performing business. The Company has set up various internal guidelines to ensure ethical corporate management and compliance.	None
(2) Has the Company established a mechanism to assess the risks of non-ethical conduct, regularly analyze and assess relatively high-risk non-ethical conduct and activities within its scope of business, and formulate policies to prevent unethical conduct, which at minimum covers measures to prevent the conduct mentioned in Article 7.2 of "the Ethical Corporate Management Best- Practice Principles for TWSE/ TPEX Listed Companies"?	✓		The Company abides by the operational philosophies of honesty, transparency and responsibility, bases policies on the " Ethical Management Best Practice Principles", analyzes and assesses on a regular basis the business activities within their business scope which are at a higher risk of being involved in unethical conduct, and formulates measures to prevent offering and acceptance of bribes. The Company further established " Measures for Reporting Cases of Illegal, Unethical or Dishonest Behavior" and Whistleblowing System to reinforce the implementation.	None
(3) Do the Company's measures to prevent high-risk unethical misconduct clearly specify operating procedures, conduct guidelines, disciplinary and appeal mechanisms for violations? Are they implemented and are regularly reviewed for amendment?	✓		The internal control systems and regulations established in accordance with " Ethical Management Best Practice Principles" set preventive measures against involvement in unethical conduct, including standard operating procedures, conduct guidelines, and the disciplinary and appeal system, and should be regularly reviewed and improved.	None
2. Implementation of ethical corporate management (1) Does the Company evaluate business partners' ethical records and clearly indicate ethical conduct clauses in business contracts?	✓		In order to avoid unethical misconduct activities, the Company also conducts due diligence on counterparties' integrity records and includes ethical principles in relevant contracts before trading with upstream and downstream companies to minimize the risks.	None
(2) Has the Company established a dedicated unit to promote ethical corporate management under the Board of Directors, and regularly (at least once a year) report to the Board of Directors on its ethical corporate management policy, measures to prevent unethical conduct, and monitor implementation?	✓		The Company is promoted by the Investor Relations Department of ethical corporate management in accordance with the " Ethical Management Best Practice Principle". The unit is responsible for policymaking and execution supervision of integrity management policies, and prevention of unethical behavior, reporting at least annually to the Board of Directors.	None
(3) Does the Company establish policies to prevent conflicts of interest, provide suitable channels to report such conflicts, and implement such policies?	✓		The Company's internal rules covering business conduct and the conduct of Directors and Officers clearly define policies to prevent conflicts of interest. In addition, the Company also designates a contact window for each department to consult, communicate or resolve	None

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
			relevant issues in order to achieve results rapidly and effectively.	
(4) Has the Company established an effective accounting system and internal control system to facilitate ethical corporate management? Does its internal audit team provide risk assessment results and formulate audit plans related to unethical conduct, and audit compliance of nonethical conduct measures, or does the Company engage external CPAs to implement such audits?	✓		The Company has built up an effective accounting system and internal control systems that is constantly under review and evaluation to ensure the system's design and execution remains effective. The internal auditors formulate relevant audit plans based on the assessment results of the risk of unethical behavior, and prepare an audit report and submit it to the board of directors.	None
(5) Does the Company regularly hold internal and external educational trainings on ethical corporate management?	✓		The Company regularly holds operational integrity-related educational training courses covering the topics of global and domestic information security development trends, insider trading prevention, occupational safety and health, etc. In 2022, 270 personnel received such training for an aggregate total of 426.4 hours.	None
3. Reporting ethical violations (1) Has the Company formulated a concrete whistleblowing and incentive system, established a convenient whistleblowing channel, and assigned appropriate personnel to handle the cases of those who have reports raised against them?	✓		The Company establishes and announces an independent mailbox in accordance with the "Measures for Reporting Cases of Illegal, Unethical or Dishonest Behavior" for internal and external personnel to use. E-mail: audit@a-power.com.tw	None
(2) Has the Company established standard operating procedures for handling whistleblowing claims and, after a complete investigation, follow-up measures and mechanisms related to maintaining confidentiality?	✓		The Company has formulated the "Measures for Reporting Cases of Illegal, Unethical or Dishonest Behavior", and in accordance with relevant measures, subsequent review and improvement measures will be reported to the board of directors. The identity and content of the whistleblowers are indeed confidential.	None
(3) Does the Company provide proper whistleblower protection?	✓		The Company established precautions in order to protect whistleblowers.	None
4. Enhancing information disclosure Does the Company disclose its established ethical corporate management policies and promotion results on its website and MOPS?	✓		The Company has disclosed the "Code of Integrity Management" and "Code of Ethical Conduct" on its official website and on MOPS. Please refer to the company's website: Corporate Governance for information on the effectiveness of promoting integrity management, education and training, and handling of complaints.	None
5.If the Company has established ethical corporate management policies based on the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies," please describe any discrepancies between the policies and their implementation: With no discrepancies.				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies: (1) The Company strictly abides by the Company Act, the Securities and Exchange Act, Business Entity Accounting Act, publicly traded relevant rules and other relevant laws and regulations of business conduct as the basis for the implementation of the integrity management. (2) Please refer to the Company's official website http://www.a-power.com.tw/ for the Ethical Corporate Management Best Practice Principles.				

4.7 Access to Corporate Governance Rules and Procedures:

Please refer to the MOPS website <http://mops.twse.com.tw/> for the corporate governance or the website of the Company for the corporate governance.

4.8 Other Important Information to Facilitate Better Understanding of the Company's Corporate Governance Practices:

4.8.1 Key Management Continuing Education Records for fiscal year 2022

Name	Training Period	Organizer	Course Name	Course Hours
Fu-Chi Teng CSO	April 28, 2022	Taiwan Corporate Governance Association	5G shapes Digital Transformation of Enterprises and new look of competition	3
	August 18, 2022	Taiwan Corporate Governance Association	Global Trend Analysis - Risks and Opportunities	3
Lin-Chung Huang President	October 26, 2022	Securities and Futures Institute	Discussion on Legal Issues Related to Insider Trading	3
Mei-Ying Tan Vice President of Finance & HR Administration Division	June 20, 2022- June 21, 2022	Accounting Research and Development Foundation	Continuing Development Course of Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12

4.9 Internal Control Systems

(1). Statement of Internal Control System

Statement of Internal Control System

Date: February 21, 2023

Based on the results of self-assessments, Advanced Power Electronics Co., Ltd. states the following with regard to its internal control system during the year 2022.

1. Our board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and we take immediate remedial actions in response to any identified deficiencies.
3. We evaluate the design and operating effectiveness of our internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the “Regulations”). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component contains certain elements which stated in the Regulations.
4. We have evaluated the design and operating effectiveness of our internal control system according the aforesaid Regulations.
5. Based on the results of evaluation, we believe that, on December 31, 2022, we have maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of our annual report for the year 2022 and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchanges Act.
7. This statement was approved by the board of directors in their meeting held on February 21, 2023, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Advanced Power Electronics Co., Ltd.

Fu-Chi Teng, Chairman

Lin-Chung Huang, President



(2). Auditor Review Report: None.

4.10 Any Penalties for Violations of Regulations or the Company's Internal Control Systems; Major Defects and the Status of Corrections of Internal Control Systems for the Most Recent Year and Up To the Publication Date of This Annual Report:

None.

4.11 Major Resolutions of Shareholders' Meetings and Board Meetings for the Most Recent Year and Up To the Publication Date of This Annual Report

(1). Major Resolutions and Execution Status of 2022 General Shareholders' Meeting

The 2022 Annual General Shareholders' Meeting was held at Zhubei City, Hsinchu County on April 13, 2022. Major resolutions and execution Status are as follows:

A. The Company's 2021 business report and financial statements and the 2021 earnings distribution of the Company.

Status: The shareholders' meeting approved the consolidated revenues for 2021 was NT\$4.204 billion, the net profit was NT\$651 million, and earnings per share of NT\$8.03. For 2021 earnings distribution, cash dividend paid to the shareholders NT\$6.0 per share; June 1, 2022 is the ex-dividend date and June 20, 2022 is the dividend payment record date.

B. To approve the issuance of employee restricted stock awards.

Status: The shareholders' meeting approved to issue 1,000,000 shares of restricted shares for employees with a par value of NT\$ 10 per share and grants made free of charge. Upon the completion of the registration of this issuance with the FSC on May 20, 2022, the Company issued restricted shares for employees on October 13, 2022.

C. Proposal for a cash offering by private placement and issuance of new shares.

Status: For long-term strategic development and competitiveness enhancement, with the total number of issued common shares to be no more than 35 million shares which have been resolved in the shareholders' meeting on April 13, 2022 and to authorize the board of directors to issue common shares for capital injection in cash through private placement within one year from the resolution date of the shareholders' meeting. The board of directors of the Company passed a resolution to select the specific parties Xsemi Corporation on May 20, 2022, and on May 31, 2022 as the record date for capital increase. The Company issued 35 million shares at a price of NT\$ 82.48 per share, and raised a total of funds NT\$ 2,886,800 thousand, and the capital registration was completed on June 14, 2022.

(2). Major Resolutions of Board Meetings

The Board of Directors convened 7 meetings (A) in fiscal year 2022 and up to the publication date of this annual report, of which major resolutions are as follows:

A. The 1st meeting of the 9th Board of Directors in 2022 on January 11, 2022

- The Company's business operation plan (including budget) for year 2022.
- The appointment Fu-Chi Teng as the CSO.
- The date and agenda of 2022 Annual General Shareholders' Meeting and proposals from the shareholders.

B. The 2nd meeting of the 9th Board of Directors in 2022 on February 24, 2022

- The 2021 Internal Control Statement of the Company.
 - The 2021 earning distribution for compensation to directors and employee.
 - The 2021 business report and financial statement of the Company.
 - The 2021 earnings distribution of the Company.
 - Approved the Company's prepayment to supplier for capacity assurance.
 - To approve the issuance of employee restricted stock awards.
 - Proposal for a cash offering by private placement and issuance of new shares.
 - Add Matters for Discussion of the 2022 Annual General Shareholders' Meeting.
- C. The 3rd meeting of the 9th Board of Directors in 2022 on May 3, 2022
- The Company's consolidated financial report for the first quarter of 2022.
 - Approved to the ex-dividend base date for the cash dividends of 2021.
- D. The 4th meeting of the 9th Board of Directors in 2022 on May 20, 2022
- Approved to the counterparty of a cash offering by private placement and price of the offering and related matters.
- E. The 5th meeting of the 9th Board of Directors in 2022 on August 2, 2022
- The Company's consolidated financial report for the second quarter of 2022.
 - The amendment to “Employee Restricted Stock Awards Rules for Year 2022”.
 - Issuance of 2022 restricted stock award for managerial officers.
 - The Company obtained investments through subsidiaries.
 - Approved the Company's prepayment to supplier for capacity assurance.
- F. The 6th meeting of the 9th Board of Directors in 2022 on November 1, 2022
- The Company's consolidated financial report for the third quarter of 2022.
 - The evaluation of the suitability and independence of appointed CPAs.
 - 2022 the delegation compensation of CPAs.
 - Approved the Company’s “Nominating Committee Organizational Procedures” and appointment of members of the First Nomination Committee of the Company.
 - The amendment to “Procedures for Handling Material Inside Information”.
 - The amendment to “Accounting system”.
 - The amendment to “Rules of Internal Audit and Internal Control System”.
 - 2023 internal audit plan.
- G. The 1st meeting of the 9th Board of Directors in 2023 on February 21, 2023
- The Company's business operation plan (including budget) for year 2023.
 - The change to the Company's CPA.
 - The evaluation of the suitability and independence of appointed CPAs.
 - The 2022 earning distribution for compensation to directors and employee.
 - The 2022 business report and financial statement of the Company.
 - The 2022 earnings distribution of the Company.
 - Election of the 10th Board of Directors.
 - The amendment to “Articles of Incorporation”.
 - The amendment to “Operational Procedures for Loaning Funds to Others”.
 - The date and agenda of 2023 Annual General Shareholders' Meeting and proposals from the shareholders.
 - The 2022 Internal Control Statement of the Company.

4.12 Major Dissenting Comments Among Directors Over Board Meeting Resolutions for the Most Recent Year and Up To the Publication Date of This Annual Report:

None.

4.13 Resignation/Dismissal of Key Officers (including Chairman, President, Accounting Manager, Financial Manager, Internal Auditor, and R&D Manager) for the Most Recent Year and Up To the Publication Date of This Annual Report:

None.

5. Certified Public Accountant, or CPA, Professional Fees

Unit: NT\$'000

Accounting Firm	Name of CPA	Audit Period	Audit Fee	Non-audit Fee (Note)	Total	Remarks
Deloitte & Touche	Chien-Liang Liu Li-Wen Kuo	January 1 ~ September 30, 2022	2,950	90	3,040	CPA Rotation
	Chien-Liang Liu Wen-Chin Lin	October 1 ~ December 31, 2022				

Note: Salary checklist for full-time employees who are not in managerial positions and checklist for 2022 restricted stock award.

5.1 If the audit fees of the year in which the Company changes CPA firm is lower than that of the prior year, specify the amount of audit fee before and after, the fee reduction percentage, and the reasons:

None.

5.2 If the audit fee dropped year on year by more than 10%, specify the amount, percentage, and reasons for the reduction:

None.

6. Change of Certified Public Accountant

6.1 Former CPAs

Date of change	Approved by Board of Directors on February 21, 2023		
Reasons and Explanation of Changes	In order to maintain the independence of the CPAs and adhere to the rotation mechanism of the CPA firm, the engagement starting from 2022 Q4.		
State whether the Appointment is Terminated or Rejected by the Consignor or CPAs	Client	CPA	Consignor
	Status		
	Appointment terminated automatically	Not applicable	Not applicable
	Appointment rejected (discontinued)	Not applicable	Not applicable
The Opinions other than Unmodified Opinion Issued in the Last Two Years and the Reasons for the Said Opinions	Not applicable		
Is there any disagreement in opinion with the issuer	Yes	Accounting principle or practice	
		Disclosure of financial statements	
		Auditing scope or procedures	
		Others	
	No	✓	
	Explanation		

Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Regulations Governing Information to be Published in Annual Reports of Public Companies)	None
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6.2 Successor CPAs

Accounting Firm	Deloitte & Touche
CPA	Chien-Liang Liu CPA and Wen-Chin Lin CPA
Date of Engagement	Approved by Board of Directors on February 21, 2023
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the Financial Report	Not applicable
Written Opinions from the Successor CPAs that are Different from the Former CPA's Opinions	Not applicable

6.3 The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Regulations Governing Information to be Published in Annual Reports of Public Companies:

None.

7. Audit Independence for the Most Recent Year

None.

8. Shareholding Changes of Directors, Management, and Major Shareholders with Shareholding of 10% and More for the Most Recent Year and up to the Publication Date of this Annual Report

8.1 Shareholding Changes of Directors, Managers and Major Shareholders

Title	Name	2022		As of March 20, 2023	
		Shares Increase (Decrease)	Pledged Shares Increase (Decrease)	Shares Increase (Decrease)	Pledged Shares Increase (Decrease)
Chairman	Future Technology Consulting, Inc. Representative: Fu-Chi Teng	0	0	0	0
Director	STCH Investment Inc. (Cayman) Representative: Tzu-Cheng Chang	(430,000)	0	(420,000)	0
Director	Shih-Chieh Tsai	0	0	0	0
Director	Ji-Yu Yang	0	0	0	0
Independent Director	Ciou-Lin Chen	0	0	0	0
Independent Director	Yong-Sheng Liu	0	0	0	0

Title	Name	2022		As of March 20, 2023	
		Shares Increase (Decrease)	Pledged Shares Increase (Decrease)	Shares Increase (Decrease)	Pledged Shares Increase (Decrease)
Independent Director	Pei-Jun Wu	0	0	0	0
CSO	Fu-Chi Teng	0	0	0	0
President	Lin-Chung Huang	0	0	0	0
Vice President of R&D Division	Jau-Yan Lin	0	0	0	0
Vice President of Product Engineering Division	Meng-Hui Lin	(24,000)	0	0	0
Vice President of Finance & HR Administration Division	Mei-Ying Tan	(71,000)	0	0	0
Vice President of Sales Division	Chien-Hsueh Lin	0	0	20,000	0
Major Shareholders with Shareholding of 10%	XSemi Corporation	35,000,000	0	0	0

8.2 Stock Trade with Related Party

None.

8.3 Stock Pledge with Related Party

None.

9. Relationship among the Top Ten Shareholders

As of March 20, 2023

NAME	Current Shareholding		Spouses' and Minors' Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
XSemi Corporation	35,000,000	29.69	0	0.00	0	0.00	None	None	
XSemi Corporation Representative: Young-Way Liu	0	0.00	0	0.00	0	0.00	None	None	
STCH Investment Inc. (Cayman)	4,850,247	4.11	0	0.00	0	0.00	None	None	
STCH Investment Inc. (Cayman) Representative: Ching-Yi Chang	0	0.00	0	0.00	0	0.00	None	None	
Future Technology Consulting, Inc.	3,084,899	2.62	0	0.00	0	0.00	Fu-Chi Teng	Chairman of the company	
Future Technology Consulting, Inc. Representative: Fu-Chi Teng	1,940,102	1.65	0	0.00	0	0.00	Future Technology Consulting, Inc.	Chairman of the company	
Fu-Chi Teng	1,940,102	1.65	0	0.00	0	0.00	Future Technology Consulting, Inc.	Chairman of the company	
Taishin Bank Trust Account- 2022 Restricted Employee Shares	1,000,000	0.85	0	0.00	0	0.00	None	None	
Ko-Yu Yu	874,896	0.74	14,631	0.01	0	0.00	None	None	
CTBC Bank Trust Account- ESOP Trusts	512,167	0.43	0	0	0	0.00	None	None	
Shou-Yan Liu	410,000	0.35	0	0.00	0	0.00	None	None	
Cing-Cheng Lin	374,000	0.32	0	0.00	0	0.00	None	None	
Taishin Bank Trust Account-Shin Kong Innovation Technology Securities Investment Trust Fund	320,000	0.27	0	0.00	0	0.00	None	None	

10. Comprehensive Shareholding Information Relating to Company, Directors, Management, and Companies Affiliated through Direct and Indirect Investment

As of December 31, 2022

Affiliated Companies	Investments of the Company		Direct or Indirect Investments		Total Investments	
	Shares	%	Shares	%	Shares	%
Future Technology Consulting (B.V.I.), Inc.	2,350,000	100.00	0	0.00	2,350,000	100.00
Perfect Prime Limited (SAMOA)	450,000	100.00	0	0.00	450,000	100.00
Shenzhen Fucheng Electronics Corp. (Note 1)	Note 3	100.00	0	0.00	Note 3	100.00
Green Power Semiconductor Corp.	1,715,250	87.96	0	0.00	1,715,250	87.96
OPC Microelectronics Co., Ltd. (Note 2)	Note 3	100.00	0	0.00	Note 3	100.00
Fuhong Investment Co., Ltd.	8,000,000	100.00	0	0.00	8,000,000	100.00

Note 1: An indirect investment through Perfect Prime Limited (SAMOA).

Note 2: An indirect investment through Green Power Semiconductor Corp.

Note 3: Limited company is expressed in terms of capital contribution.

4 Capital and Shares

1. Capital and Shares
2. Corporate Bonds
3. Preferred Shares
4. Overseas Depository Receipts
5. Employee Stock Options
6. Employee Restricted Stock Shares
7. Shares Issuance for Mergers and Acquisitions
8. Funding Use Plan and Execution

Capital and Shares

1. Capital and Shares

1.1 Source of Capital

As of March 20, 2023

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$'000)	Shares	Amount (NT\$'000)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2018.03	10	200,000,000	2,000,000	81,340,493	813,404.93	Cash	-	Note 1
2022.06	82.48	200,000,000	2,000,000	116,340,493	1,163,404.93	Private placement/ Cash	-	Note 2
2022.11	10	200,000,000	2,000,000	117,340,493	1,173,404.93	Restricted Employee Shares	-	Note 3
2023.03	10	200,000,000	2,000,000	117,890,493	1,178,904.93	Employee stock options	-	Note 4

Note 1 : The MOEA No. 10701017590 on March 9, 2018.

Note 2 : The MOEA No. 11101101780 on June 14, 2022.

Note 3 : The MOEA No. 11101205860 on November 10, 2022.

Note 4 : The MOEA registration has not been completed.

As of March 20, 2023

AS OF MARCH 28, 2020

Share Type	Authorized Capital					Remark
	Outstanding shares			Unissued shares	Total	
	Listed	Private placement	Total			
Common stock	82,890,493	35,000,000	117,890,493	82,109,507	200,000,000	

Shelf-registration system: None.

1.2 Composition of Shareholders

As of March 20, 2023

Shareholder Structure	Government Agencies	Financial Institutions	Other Institutions	Individuals	Foreign Institutions & Individuals	Total
Number of Shareholders	0	0	274	45,750	70	46,094
Shareholding (shares)	0	0	41,438,441	70,246,020	6,206,032	117,890,493
Shareholding %	0	0	35.15	59.59	5.26	100

1.3 Shareholding Distribution

As of March 20, 2023

Shareholding Range (Unit: Share)	Number of Shareholders	Shareholding (shares)	Shareholding (%)
1 - 999	24,323	1,171,000	0.99
1,000 - 5,000	19,515	33,669,468	28.56
5,001 - 10,000	1,388	11,193,481	9.49
10,001 - 15,000	308	3,947,077	3.35
15,001 - 20,000	230	4,282,715	3.63
20,001 - 30,000	147	3,846,406	3.26
30,001 - 40,000	59	2,136,742	1.81
40,001 - 50,000	34	1,588,136	1.35
50,001 - 100,000	59	4,404,572	3.74
100,001 - 200,000	18	2,582,171	2.19
200,001 - 400,000	5	1,396,414	1.18
400,001 - 600,000	2	922,167	0.78
600,001 - 800,000	0	0	0.00
800,001 - 1,000,000	2	1,874,896	1.59
>1,000,001	4	44,875,248	38.08
Total	46,094	117,890,493	100.00

1.4 Major Shareholders

As of March 20, 2023

Major Shareholder	Shareholding (shares)	Shareholding (%)
XSemi Corporation	35,000,000	29.69
STCH Investment Inc. (Cayman)	4,850,247	4.11
Future Technology Consulting, Inc.	3,084,899	2.62
Fu-Chi Teng	1,940,102	1.65
Taishin Bank Trust Account- 2022 Restricted Employee Shares	1,000,000	0.85
Ko-Yu Yu	874,896	0.74
CTBC Bank Trust Account-ESOP Trusts	512,167	0.43
Shou-Yan Liu	410,000	0.35
Cing-Cheng Lin	374,000	0.32
Taishin Bank Trust Account-Shin Kong Innovation Technology Securities Investment Trust Fund	320,000	0.27

1.5 Share Price, Net Value, Earnings, Dividends and Related Information in recent 2 years

Year		2021	2022	2023 (As of March 31)	
Items					
Market Price per Share (NT\$)	Highest	137.00	148.00	117.50	
	Lowest	44.80	87.60	101.50	
	Average	82.28	107.99	108.62	
Net worth per share (NT\$)	Before earnings appropriation	27.12	46.70	-	
	After earnings appropriation	21.12	Note 1	-	
Earnings per share (NT\$)	Weighted average shares (thousand shares)	81,341	101,957	-	
	Earnings per share	8.03	8.83	-	
Dividends per share (NT\$)	Cash dividends		6.00	Note 1	-
	Stock dividends	Retained earnings	0	Note 1	-
		Capital surplus	0	Note 1	-
	Accumulated Undistributed Dividends		0	0	-
Return on Investment	Price/ Earnings Ratio (Note 2)		10.25	12.23	-
	Price/ Dividend Ratio (Note 3)		13.71	Note 1	-
	Cash Dividend Yield Rate% (Note 4)		7.29	Note 1	-

Note 1: The appropriation amount for 2022 has yet to be approved at the AGM.

Note 2: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price)

1.6 Dividend Policy and Distribution of Earnings

(1). Dividend policy under Articles of Incorporation

In light of the fact that the Company is in the business growth phase, to go with the demand for capital in the future and the long-term financial planning as well as to fulfill the demand of shareholders for cash flows, the Company appropriates and assigns dividends to shareholders according to the earnings available for distribution. Cash dividends, in particular, may not be below 10% of the total dividends distributed in a single year. The dividend payout proposed by the Board of Directors has to be approved at the annual shareholders' meeting.

(2). Proposed dividend allocation for approval at annual shareholders' meeting

The Board meeting passed the proposal of dividend distribution as NT\$ 5 per share in cash on February 21, 2023; the proposal is not yet approved by the annual shareholders' meeting.

(3). The Company's dividends for the most recent five years have been distributed at no less than 40% of the net profit after tax for the current year, and cash dividends have been distributed for the most recent five years. For the dividend distribution over the years, please refer to the company's website for dividend distribution.

1.7 Impact of Stock Dividend Distribution on Business Performance and EPS

None.

1.8 Employees' and Directors' Compensation

(1). Earnings distribution plan according to the Company's Articles of Incorporation

If the Company posts an annual profit, it shall set aside no less than 8% of the profit as employees' compensation and not more than 3% of the profit as compensation for directors. However, if the Company posts a loss, it shall first reserve a certain amount to offset the losses, then allocate the remainder for employees' and directors' compensation.

(2). Accounting treatment for the deviation between the estimated and actual distribution amount of employees' and directors' compensation

The Company accrues employee bonuses and directors' compensation proportionally from the pre-tax income before deducting employee bonuses and directors' compensation. Should there be a deviation between the actual distribution amount and the accrued amount in the annual financial reports after their publication date, the difference should be treated as changes in accounting estimates and adjusted in the following year.

(3). 2022 employees' and directors' compensation proposals adopted by the BoD

A. Employees' and directors' compensation paid in the form of cash or shares and differences/reasons/treatments of accrued numbers if any:

The 2022 employee bonuses and directors' compensation approved by the Board of Directors on February 21, 2023 totaled NT\$152,616,662 and NT\$19,077,083, respectively, in the form of cash. There is no difference between the actual distribution and the accrued amount in the 2022 financial reports.

B. Employee bonuses paid in the form of shares and as a percentage of total net income on a stand-alone basis and of total employee bonuses: None.

- (4).Actual distribution of compensation to employees, and directors (including the number, sum, and price of shares distributed), and treatment of the discrepancy:

There is no difference between the actual distribution and the accrued amount.

1.9 Share Repurchase by the Company

None.

2. Corporate Bonds

None.

3. Preferred Shares

None.

4. Overseas Depository Receipts

None.

5. Employee Stock Options

5.1 Status of employee stock options that have yet to mature

As of March 31, 2023

Type	5th (2018) Employee Stock Options	6th (2020) Employee Stock Options
Date of Effective Registration and Number of Options	May 2, 2018 2,000,000	December 1, 2020 2,000,000
Issue (Grant) Date	May 10, 2018	March 9, 2021
Number of Options Granted	2,000,000	2,000,000
Number of Options not Granted	0	0
Percentage of Shares Exercisable to Outstanding Common Shares	1.70%	1.70%
Option Duration	6 years	6 years
Source of Option Shares	New Common Share	New Common Share
Vesting Schedule	2nd Year: Up to 40% 3rd Year: Up to 70% 4th Year: Up to 100%	2nd Year: Up to 40% 3rd Year: Up to 70% 4th Year: Up to 100%
Shares Exercised	0	550,000
Value of Shares Exercised	0	39.6
Shares Unexercised	65,000	1,420,000
Adjusted Exercise Price Per Share (NT\$)	22.1	39.6
Percentage of Shares Unexercised to Outstanding Common Shares	0.06%	1.21%
Impact to Shareholders' Equity	Dilution to shareholder's equity is limited	Dilution to shareholder's equity is limited

Note: The issued shares refer to the shares listed on the changes registered in the MOEA as of the date of publication.

5.2 Names, acquisition, and subscription of managerial officers who have obtained employee stock options as well as employees who rank among the top ten in terms of the number of shares obtained via employee stock options

(1). 5th (2018) Employee Stock Options

Unit: NT\$'000; thousand Shares

	Title	Name	Number of Option Acquired	Number of Option Acquired/ Number of Option Issued	Exercised				Not exercised			
					Number of Option	Exercise Price (NT\$)	Option amount	Number of Option/Number of Option Issued	Number of Option	Exercise Price (NT\$)	Option amount	Number of Option/Number of Option Issued
Managerial Officer & Employee	Resign	Note 2	620	0.53%	-	-	-	-	-	-	-	-
	Resign	Note 2	1,120	0.95%	-	-	-	-	45	22.1	994.5	0.04%
	Employee	Xiao-Yan Huang										

Note 1: The issued shares refer to the shares listed on the changes registered in the MOEA as of the date of publication.

Note 2: The employee has resigned and given up the employee stock option; therefore the name, executed and unexecuted shares are not included.

(2). 6th (2020) Employee Stock Options

Unit: NT\$'000; thousand Shares

	Title	Name	Number of Option Acquired	Number of Option Acquired/ Number of Option Issued	Exercised				Not exercised			
					Number of Option	Exercise Price (NT\$)	Option amount	Number of Option/Number of Option Issued	Number of Option	Exercise Price (NT\$)	Option amount	Number of Option/Number of Option Issued
Managerial Officer & Employee	Managerial Officer	Fu-Chi Teng	480	0.41%	20	39.6	792	0.02%	460	39.6	18,216	0.39%
	Managerial Officer	Lin-Chung Huang										
	Managerial Officer	Jau-Yan Lin										
	Managerial Officer	Meng-Hui Lin										
	Managerial Officer	Mei-Ying Tan										
	Managerial Officer	Chien-Hsueh Lin										
	Employee	Yan-yuan Huang	570	0.49%	166	39.6	6,573.6	0.14%	404	39.6	15,998.4	0.49%
	Employee	Qing-tian Zhao										
	Employee	Cai-lun Peng										
	Employee	Qing-xun Zheng										
	Employee	Jun-yuan Zheng										
	Employee	Feng-chun Ye										
	Employee	Wen-wen Zeng										
	Employee	Qi-feng Zeng										
	Employee	Yu-sheng Zeng										
	Employee	Xue-lin Lu										

Note: The issued shares refer to the shares listed on the changes registered in the MOEA as of the date of publication.

6. Restricted Employee Shares

6.1 Status of New Restricted Employee Shares

As of March 31, 2023

Type of New Restricted Employee Shares	2022 New Restricted Employee Shares
Date of Effective Registration and Total Shares of issuance	May 20, 2022 1,000,000
Issue date	October 13, 2022

Type of New Restricted Employee Shares	2022 New Restricted Employee Shares										
Number of New Restricted Employee Shares Issued	1,000,000										
Number of New Restricted Employee Shares to be Issued	0										
Issued Price (NT\$)	None										
New Restricted Employee Shares as a Percentage of Shares Issued	0.85%										
Vesting Conditions of New Restricted Employee Shares	<div>An employee’s continuous employment with the Company through the vesting dates; no breach by the employee of any terms of any agreement with the Company to which the employee is subject, including, without limitation, the employee’s employment terms and conditions or any other employment-related agreement, any non-competition or confidentiality agreements; no violation by the employee of employee handbook; and, the achievement by the employee of the employee’s individual performance goals, and the Company’s achievement of operational objectives during the applicable Performance Period. The maximum percentage of granted RSAs that may be vested each year shall be as follows: one-year anniversary of the grant: 30%; two-year anniversary of the grant: 30%; and three-year anniversary of the grant: 40%.</div> <div>a. The individual performance goals are the employee’s year-end performance rating for the year preceding the vesting date at “A” rating or higher for the performance year preceding each vesting date.</div> <div>b. The Company's operating operational objectives indexes include the revenue growth rate and operating margin (“OPM%”); provided that the achievement level of the indexes in each year will be calculated based on the achievement of the Company’s business performance metrics, as detailed in the following point. The achievement of one of the indexes is deemed to have achieved. The judgement of the achievement level of the indexes shall be based on the Company’s consolidated financial statements certified by a certified public accountant for the corresponding performance periods. The actual percentage and number of the RSAs to be vested in each year will be calculated based on the achievement of the Company’s business performance metrics and the employee’s achievement of job performance criteria, which will be set by the Company and agreed with the employee.</div> <table><tr><td>Company’s Operation Objectives</td><td>Operating Target A</td><td>Operating Target B</td></tr><tr><td>Revenue</td><td>Increase ≥ 5% YoY</td><td rowspan="2">Higher than the average of previous three years</td></tr><tr><td>Operating Margin (%)</td><td>Increase ≥ 2% YoY</td></tr></table>			Company’s Operation Objectives	Operating Target A	Operating Target B	Revenue	Increase ≥ 5% YoY	Higher than the average of previous three years	Operating Margin (%)	Increase ≥ 2% YoY
Company’s Operation Objectives	Operating Target A	Operating Target B									
Revenue	Increase ≥ 5% YoY	Higher than the average of previous three years									
Operating Margin (%)	Increase ≥ 2% YoY										
Restricted Rights of New Restricted Employee Shares	<div>a. Except for inheritance, employees are prohibited from and shall not sell, pledge, transfer, give to another person, create any encumbrance on, or in any other way dispose of any unvested RSAs.</div> <div>b. Rights to attend the Company’s shareholder’s meeting, submit proposals, or speak and vote at the meeting attributed to ownership of stock with respect to any unvested RSAs will be the same as those of the common shares of the Company but shall be subject to and performed in accordance with the trust agreement.</div> <div>c. Rights to dividends, interest, capital reserve, and share subscription warrants attributed to ownership of stock with respect to any unvested RSAs will be the same as those of the common shares of the Company and shall be subject to and performed in accordance with the trust agreement.</div> <div>d. If any Shares vest on a date that falls during a period in which the Company is prohibited from altering the Company’s shareholders’ roster, including but not limited to, for reasons pertaining to the Company’s issuance of bonus or cash dividends, or conducting a rights offering, convening shareholder’s meeting pursuant to paragraph 3 of Article 165 of the Company Act, the release of the restrictions on such RSAs set forth in this Article 6 shall be in accordance with the trust agreement and applicable laws and regulations.</div>										
Custody Status of New Restricted Employee Shares	<div>a. All Shares under each RSAs under these Rules shall be deposited in a trust/custody governed by the trust agreement immediately after the granting of the RSAs and execution of Company-required documentation. The employee shall have no right to request and shall not request that the trustee(s) release unvested RSAs held in the trust account for any reason or in any method.</div>										

Type of New Restricted Employee Shares	2022 New Restricted Employee Shares
	b. During the period when the granted RSAs are deposited in a trust/custody account, each employee must enter into an agreement authorizing the Company to, among others, negotiate, execute, modify, extend, rescind, and terminate the trust/custody agreement with the trustee/custodian, and give instructions to deliver, use, and dispose of any of the properties under the trust/custody, on their behalf, with full power and authority.
Measures to be Taken When Vesting Conditions are not Met	a. All unvested RSAs will be forfeited and canceled by the Company without consideration in accordance with these Rules. b. Any unvested RSAs will be forfeited on the effective date of separation due to a voluntary separation, separation with a severance, or retirement of such executives. The Company will reclaim the RSAs granted to them and cancel the same at no extra cost to the Company.
Number of New Restricted Employee Shares that have been Redeemed or Bought Back	0
Number of Released New Restricted Employee Shares	0
Number of Unreleased New Restricted Employee Shares	1,000,000
Ratio of Unreleased New Restricted Employee Shares to Total Issued Shares (%)	0.85%
Impact on possible dilution of shareholdings	Dilution of original shareholders' holding is limited.

6.2 List of Executives Receiving New Restricted Employee Shares and the Top Ten Employees with New Restricted Employee Shares

As of March 31, 2023; Unit: shares

	Title	Name	No. of New Restricted Shares	New Restricted Shares as a Percentage of Shares Issued (Note)	Released			Released Restricted Shares as a Percentage of Shares Issued (Note)	Unreleased			
					No. of Shares	Issued Price (NT\$)	Amount		No. of Shares	Strike Price (NT\$)	Amount	Unreleased Restricted Shares as a Percentage of Shares Issued (Note)
Managerial officer and employee	Chairman and CSO	Fu-Chi Teng	680,000	0.58%	0	0	0	0.00%	680,000	0	0	0.58%
	President	Lin-Chung Huang										
	Vice President	Jau-Yan Lin										
	Vice President	Meng-Hui Lin										
	Vice President	Mei-Ying Tan										
	Vice President	Chien-Hsueh Lin										
	Employee	Yan-yuan Huang	320,000	0.27%	0	0	0	0.00%	320,000	0	0	0.27%
	Employee	Qing-tian Zhao										
	Employee	Cai-lun Peng										
	Employee	Qing-xun Zheng										
	Employee	Jun-yuan Zheng										
	Employee	Feng-chun Ye										
	Employee	Wen-wen Zeng										
	Employee	Chi-chih Yu										

Note: The issued shares refer to the shares listed on the changes registered in the MOEA as of the date of publication.

7. Shares Issuance for Mergers and Acquisitions

None.

8. Funding Use Plan and Execution

8.1 1st Private Placement of 2022

1. Plan Content:

- (1). For long-term strategic development and competitiveness enhancement, with the total number of issued common shares to be no more than 35 million shares which have been resolved in the shareholders' meeting on April 13, 2022 and to authorize the board of directors to issue common shares for capital injection in cash through private placement within one year from the resolution date of the shareholders' meeting. The board of directors of the Company passed a resolution to select the specific parties Xsemi Corporation on May 20, 2022, and on May 31, 2022 as the record date for capital increase. The Company issued 35 million shares at a price of NT\$ 82.48 per share, and raised a total of funds NT\$ 2,886,800 thousand, and the capital registration was completed on June 14, 2022.
- (2). All previous changes to the contents of the plan, the reasons for the changes, the benefits before and after the changes, and the date of submitting the change plan to the shareholders' meeting: Not applicable.
- (3). Source and Application of Funds:

A. Source of funds:

Placee	Payment Completion Date	Shares subscribed (Unit: thousand shares)	Subscription price (Unit: NT\$)	Total shares subscribed (Unit: NT\$'000)
XSemi Corporation	May 31, 2022	35,000	82.48	2,886,800

B. Planned projects and estimated use of funds

The injected fund from the private placement is used to replenish working capital and repay bank loans.

C. Date of Disclosure on MOPS

- a. Within 2 days from the date of the resolution of the board of directors: February 24, 2022
- b. Within two days from the price determination date: May 20, 2022
- c. Within 15 days from payment completion date: June 1, 2022

2. Fund utilization of private placement and project implementation progress

The injected fund from the private placement is used to replenish the working capital of \$2,606,800 thousands, and the total amount used to repay the bank loan is \$280,000 thousands. 100% of the fundraising plan has been implemented.

3. Private placement benefits

The injected fund from the private placement is used to replenish working capital and repay bank loans. By conducting private placement, the Company is expecting to strengthen the Company's competitiveness, increase operation competitiveness and improve the financial structures; therefore, it is regarded as positive to improve the shareholder's equity.

5 Operational Highlights

1. Business Overview
2. Markets & Sales Overview
3. Human Resources
4. Environmental Protection Expenditure
5. Employee Relations
6. Cyber Security Management
7. Major Contracts

Operational Highlights

1. Business Overview

1.1 Business Scope

(1). The Main Business Activities

The main business scope of the Company and its subsidiaries is research, development, production, testing and sales of Power MOSFETs. Power MOSFETs are widely used in almost all electrical and electronic systems, such as automotive, consumer electronics, industrial automation and other related fields, including personal computers, switching power supplies, fan/motor drives, battery management systems, etc.

(2). Revenue Breakdown

Unit: NT\$'000

Item	Revenue in 2022	% of total
Low Voltage MOSFET	1,335,624	34.15
Medium Voltage MOSFET	1,647,327	42.12
High Voltage MOSFET	777,048	19.87
Others	151,139	3.86
Total	3,911,138	100.00

(3). Main products

- A. Low Voltage MOSFET
- B. Medium Voltage MOSFET
- C. High Voltage MOSFET
- D. IGBT

(4). New products to be developed

The Company optimized FOM (Figure of Merit) third-generation SGT platform and fourth-generation super-junction platform. The Company developed cost-effective high, medium and low voltage Power MOSFETs, which are suitable for the consumer market and the commercial market, and are the best product solutions for personal computers, notebook computers, Servers, power supplies, new generation game consoles and BLDC motors.

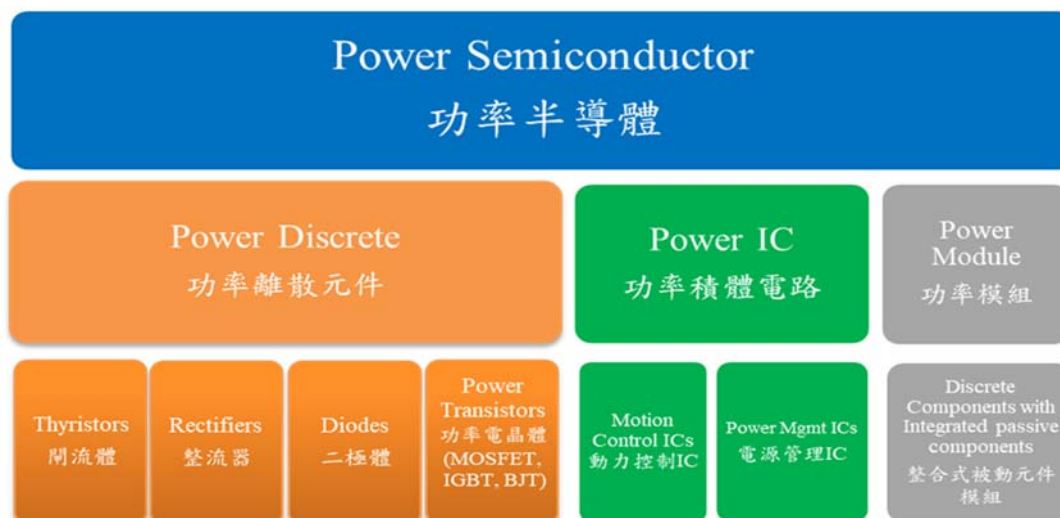
In order to provide products in response to the needs of high power, high performance and miniaturization in the consumer PC market, the Company cooperates with analog power IC companies to develop products such as Dr. MOS and SPS (Smart Power Stage). The demand in the third-generation semiconductor market is gradually increasing. The SiC SBD products have been successfully mass-produced. At present, the development of SiC MOSFET has also been completed, and it is expected to successfully reach the scale of mass production.

1.2 Industry Overview

(1). Industry status and development

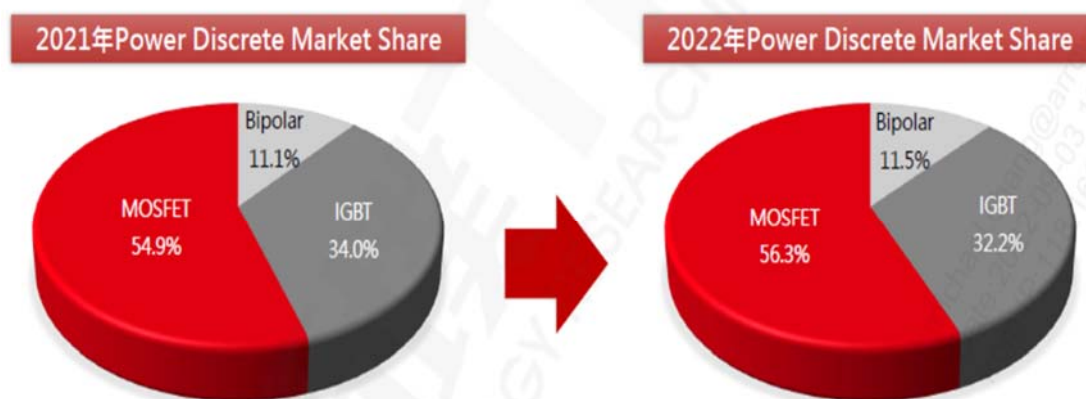
Power semiconductors can be divided into three categories, namely power discrete, power IC (Integrated Circuit) and power module. Among them, power discrete products comprise thyristors, rectifiers, diodes and power transistors. Power transistors mainly include power MOSFET (Metal Oxide Semiconductor Field Effect Transistors), IGBT (Insulated Gate Bipolar Transistors) and bipolar power Transistor. They are widely used in the computer, communications, automotive and consumer electronics industries, serving as the indispensable components for power conversion and power management.

Power semiconductors can be categorized as follows :



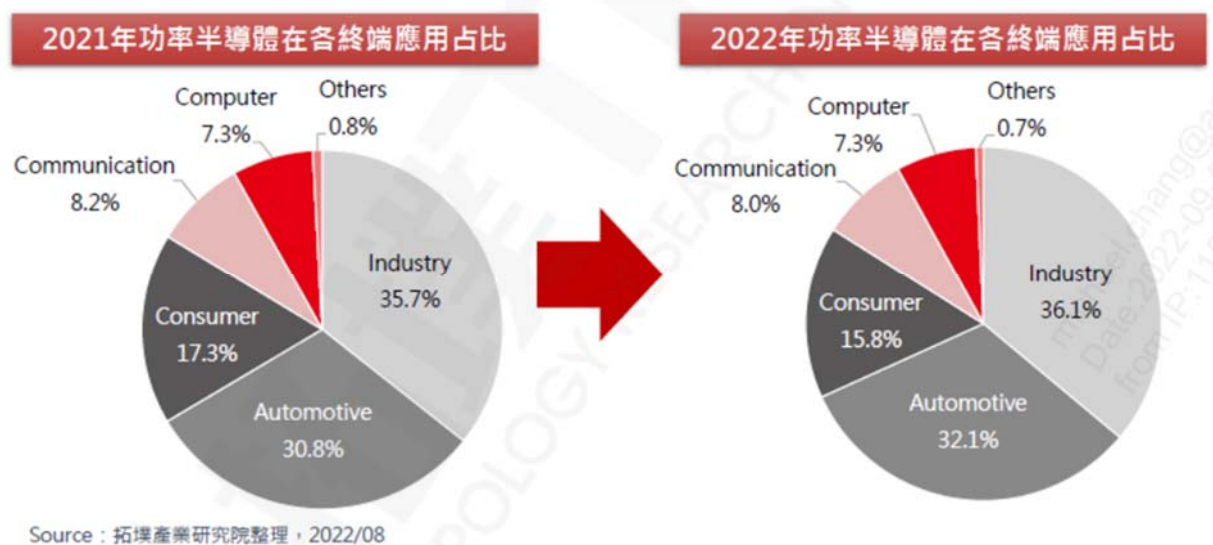
Source : IEK Consulting, ITRI (2018/12)

Power Discrete mainly includes Power MOSFET, IGBT and Bipolar; Among them, Power MOSFET accounts for more than 50% for years, and is widely used in power conversion systems, control and processing of high current and high voltage. In addition to the first-generation semiconductor silicon (Si), Power MOSFET is developing new products in the third-generation semiconductor materials gallium nitride (GaN) and silicon carbide (SiC). It is estimated that the proportion of MOSFETs will increase to 56.3% in 2022.

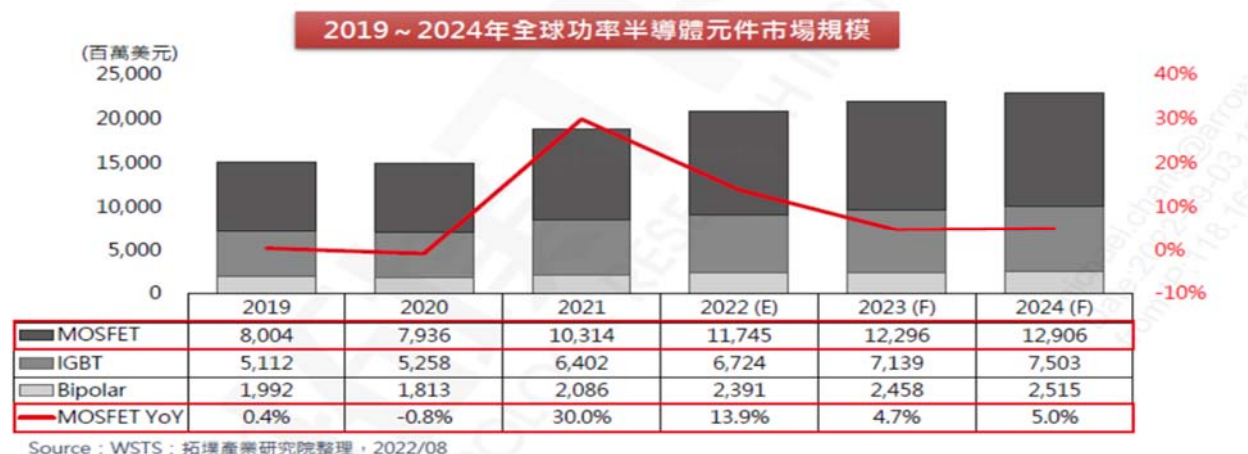


Source : 拓璞產業研究院整理，2022/08

Power discrete (including MOSFETs, IGBTs, etc.) are calculated in monetary terms, with the largest number of industrial applications and stable demand, including motor control, rail transit, charging piles, green energy power generation, and net zero carbon emission requirements in manufacturing, etc. This proportion of industrial applications is expected to reach 36.1% in 2022. Benefiting from the development of electric vehicles driven by energy conservation and carbon reduction policies, the shipment of electric vehicles will grow by 57.6% to 15 million units in 2022, and the penetration rate in the global automotive market will reach 18.6%, which will drive the proportion of automotive applications to increase to 32.1%.



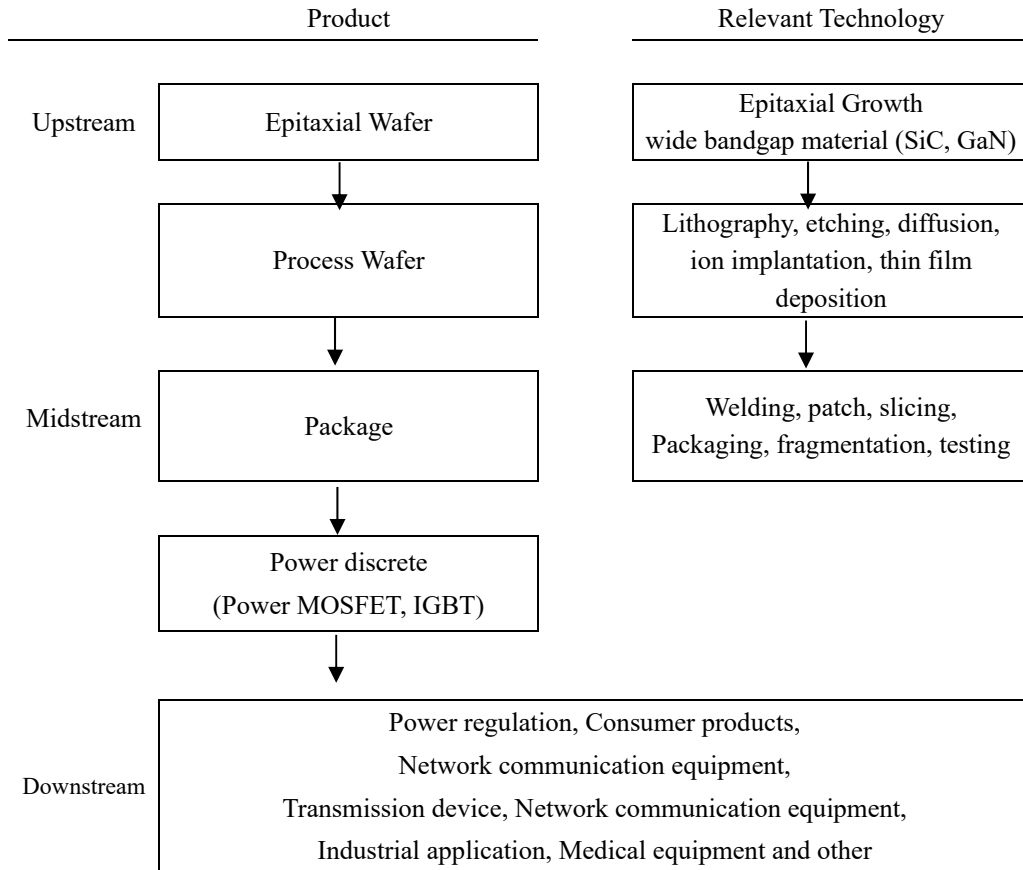
According to Topology Industry Research Institute, the power semiconductor market of Power MOSFET is projected to grow by about 4.7% in 2023 compared to 2022; the growth rate in 2024 is about 5.0% compared to 2023, and the growth rate from 2023 to 2024 slower than the previous two years. The COVID-19 pandemic has severely impacted the power semiconductor market, causing semiconductor and electronics facilities to shut down due to a global economic slowdown and labor shortages. Declining manufacturing utilization and travel bans and shutdowns of manufacturing facilities have slowed down the growth of the power semiconductor market.



The significantly increased geopolitical risks in 2022, particularly the Russo-Ukrainian war, have greatly reduced the predictability of economic development. The Russo-Ukrainian war has brought risks and adverse effects; for example, natural gas supplies on production sites may be interrupted, prices may increase, and energy and raw material shortages may occur. Besides the war in Ukraine, any escalation of conflict would become an added risk factor for global economic downturn. Additionally, inflation and interest rate hikes can also lead to a substantial drop in consumption.

Tariffs and trade barriers arising from US-China disputes have exacerbated the conflict between Taiwan and China, and the recent trade restrictions have also hindered global economic growth. In this context, China and the United States have each shaped their own supply chain structure, which consequently promotes the polarization of regional supply chain development. In response to the US blockade on semiconductor technology and industries, Chinese enterprises seek independence and innovation by accelerating product substitution processes and striving to build an independent semiconductor supply chain to mitigate the impact of future risks. With the aid of market demand derived from emerging technologies and government policy support, an annual growth rate of least 5% can still be expected in China. As for Taiwan's power semiconductor industry, based on the advantages in costs and customization when competing with foreign companies under the effect of the US-China trade war, the prospect of import substitution can be expected to realize. Driven by the collaboration in semiconductor and related industries among the US, Taiwan, Japan and South Korea, Taiwan's tech industry has been compelled to shift from the globalization mode to a dual-system mode. Manufacturers are accelerating the establishment of supply chain bases outside of China in hope that new opportunities for growth can be discovered in the midst of conflicts between two great powers.

(2). Industry value chain



(3). Various Development Trends and Competitions of Products

A. Net-zero emissions accelerate energy system transformation

a. With a constantly growing world population and increasing industrialization, global demand for energy is rising. The long-term objective is to achieve global decarbonization by 2050. To achieve this target, it will be necessary to develop renewable sources of energy at a faster rate than originally envisaged. The power semiconductor segment has been playing a crucial part in contributing to achieving global energy savings goals, by improving performance with reduced power loss when power transmitted and distributed, in order to lower and save overall power usage across the widest application spectrum, e.g. electric vehicles (EV), data centers, telecom infrastructure and 5G/smart devices, etc. Therefore, we see the growing need for power-efficient products as one of the key elements that is helping to drive the demand for power semiconductor market.

b. New materials of the third-generation semiconductors

In order to achieve higher performance, power semiconductors require higher specifications of operating voltage and switching frequency, as well as reducing the size of components. The third-generation semiconductor materials such as silicon carbide (SiC) and gallium nitride (GaN) (known as compound semiconductors), enable higher power densities and low switching losses, both of which contribute towards improved efficiency of power electronic systems and therefore, suitable for

high-frequency communication and high-power electronic circuits, high electronic conversion efficiency, thereby reducing losses and bringing energy-saving effects.

B. Competitions of Products

In the development of global power semiconductors, major technologies have been dominated by global integrated devices makers (IDMs) such as Infineon, ON Semi, etc. which have complete wafer fabrication and packaging plants. The world's top five power semiconductor manufacturers accounted for more than 50% of the market share. The players in Taiwan are mainly focused in the low-voltage MOSFETs. Due to the limitation in capital, technologies and talents, the overall scale of the players is small, and the deployment of the industry is scattered. Under the impact of the US-China trade tensions, the trend of China and the United States forming their own supply chains has made the development of regional supply chains more polarized. To get rid of the long-term dependence on the technologies, product supply and patent licensing of the US semiconductor industry, China intends to implement the strategy of vertical integration that combines players from the upstream, midstream, and downstream of the industry, creating an independent and controllable semiconductor industry chain. In terms of US strategy, through cooperation with Taiwan, Japan, and South Korea in semiconductor and related industries, Taiwan's technology industry has to transform from globalization to two systems, and accelerate the establishment of supply chains outside China.

The IDM model is more competitive. On the contrary, the players in Taiwan are mainly fabless, which do not have wafer capability and difficult to obtain stable wafer supply during wafer shortage. Supply chain management and wafer capacity allocation have a high impact on the company's growth. Therefore, in the face of market pressure, how to improve product technology levels, strengthen tacit cooperation between customers and strategic investment in the supply chain is an urgent issue in the face of industrial competition.

1.3 Research and Development

(1). Major R&D Expenditures for the Most Recent Year: NT\$171,911 thousand.

(2). Major R&D Achievements for the Most Recent Year

A. The 3rd generation of Low- Medium voltage Power MOSFET

a. The 30V Power MOSFET solutions for core voltage synchronous rectification power supplies such as CPUs and GPUs of personal computers and graphics cards have passed the customer's performance verification and has been introduced into mass production.

b. 60V~150V Power MOSFETs have been mass-produced and provided for applications such as power supplies, power batteries, and BLDC motors.

B. The 4th generation of High voltage Power MOSFET

The 600V/650V 4th generation high-voltage process technology platform has been completed and entered the stage of mass production, and has been gradually designed into the power supply ODM manufacturers.

C. Insulated Gate Bipolar Transistors (IGBT)

The 600V/1200V 15A,30 A IGBT has been developed and the reliability verification has been completed, and will be promoted for the machine tool and air conditioner inverter markets.

D. SiC Power MOSFET

The 600V~1200V SiC Power MOSFET has been developed and passed the product reliability verification, and a series of products will be developed according to the market demand of the power supplies, renewable energy, electric vehicles and charging piles.

1.4 Corporate Development Plan

(1). Short-term Corporate Development Plan

A. Marketing Strategy

In the conflict of tariff disputes and trade restrictions between China and the United States, to build overseas agent channels and strengthen triangular trade logistics functions, provide customers with immediate product consulting services and solve customers' problems in technology use to increase product market penetration.

B. Production Strategy

The COVID-19 pandemic has not yet been fully overcome, supply chain bottlenecks exacerbated by lockdowns and sharp increases in production prices, to strengthen good partnerships with wafer foundry companies and packaging & testing firms and ensure that the Company and subsidiaries get its production capacity and controls the delivery schedule of the products so that the effect of stable foundry capacity can be achieved and the direction.

C. R&D Strategy

According to the development trend of the 3rd-generation semiconductor materials and the market demand of power supplies, renewable energy, electric vehicles and charging piles, in order to provide customers with green environmental protection, energy saving and carbon reduction power management solutions, shorten the time to market and enhance product functions.

D. Financial Planning

By means of diversified channels for funding in the capital market, establish strategic investment partnerships and meet requirements of the Company's development plan in order to maintain financial soundness and protect shareholders' rights and interests.

(2). Long-term Corporate Development Plan

A. Marketing Strategy

Not only continuing to enhance the training of professional marketing personnel and strengthen channel functions with the Company's strategic investment partnerships, provide opportunities close to market services and attract domestic and foreign industry leaders to become the Company and subsidiaries' strategic customers.

B. Production Strategy

By investing in key packaging equipment and prepaying capacity deposits, in addition to ensuring the production capacity of the Company and subsidiaries, it can also accelerate the development of advanced products, with a view to high-efficiency manufacturing advantages to become a professional power semiconductor leader.

C. Product Development Direction

Expand product lines and deepen technical capabilities through strategic investment and cooperation, with a view to developing products required for green environmental protection such as energy saving and low power consumption, enhancing the market competition and value of products of the Company and subsidiaries, and widening the gap with competitors.

2. Markets & Sales Overview

2.1 Market Analysis

(1). Sales regions:

Unit: NTS'000

Year		2021		2022	
		Amount	% of total	Amount	% of total
Domestic Sales	Taiwan	1,069,263	25.44	1,135,450	29.03
Export Sales	Asia	3,127,527	74.40	2,757,387	70.50
	Others	6,849	0.16	18,301	0.47
Net sales		4,203,639	100.00	3,911,138	100.00

The export ratio of the Company and subsidiaries was 70.97% in 2022, mainly in mainland China and South Korea.

(2). Market share and future market supply & demand and growth

A. Market share

Power semiconductors are primarily used to control and handle large currents and high voltages; power discrete devices are widely used in almost all electric appliances and electronic systems, such as automobiles, consumer electronics, industrial automation, etc. Major products in power discrete devices, also called power semiconductor devices (within the transistor domain), include power MOSFETs, IGBTs, and bipolar transistors. Of these, power MOSFETs account for more than 50% of the market, and are most widely used in power conversion systems.

Market research data provided by WSTS and analysis conducted by the Topology Research Institute (TRI) show that, due to China's lockdown measures, the Russia-Ukraine War, and high inflation rates, consumer electronics market slacked off significantly in 2022. Yet with continuing demand from the automotive and industrial control markets, the global MOSFET market is expected to reach US\$11.75 billion and an annual growth rate of 13.9%. An evaluation of the Company's and its subsidiaries' 2022 revenues shows that the Company's proportion of total global semiconductor sales remains relatively low.

B. Future Market Supply, Demand, and Growth Prospects

The Company's foreign competitors include major IDM manufacturers such as Infineon, ONSem, STM, Renesas, and Toshiba. These major MOSFET suppliers had more than 50% of total market share in 2021; they lead the global MOSFET market. The Company adopts a fabless model for business operations, which is different from the IDM model adopted by the world's major manufacturers. With spillover effect benefits from major IDM manufacturers' orders prior to the end of Q2 2022, the Company's overall performance was quite satisfactory. However, when the consumer electronics market started to weaken in Q2 2022, shipping performance thus weakened.

MOSFETs and in particular power semiconductors are commonly used in fields such as industrial manufacturing, automobiles, consumer electronics, communications, computing, etc. Production value show that industrial applications accounted for the largest proportion of this, with stable demand from machine control, rail traffic, charging stations, green power generation, net zero carbon emission requirements in manufacturing, etc.; industrial applications were expected to account for 36.1% of the market in 2022. Benefiting from the development of electric vehicles but also driven by energy-saving and carbon-reduction policies, and with electric vehicle production growing by 57.6% to 15 units in 2022, MOSFETs achieved a penetration rate of 18.6% in the global automobile market. This would enhance the market share of automotive MOSFET applications to 32.1%.

The Company and its subsidiaries pay constant attention to developing technologies for our product lines. By taking advantage of the comprehensive semiconductor industry clusters in Taiwan and using flexible marketing strategies to expand our marketing channels, we can reinforce long-term collaborative relationships with current customers while also acquiring new customers in a variety of product fields. Through our active efforts, we can enhance the Company's market share.

(3). Competitive niche

A. Strong management and R&D team

The Company and subsidiaries have been devoted to the development of power semiconductor components since its establishment in 1998. There are as much as 70 more items of patent rights which have been acquired or that are under application. The Company and subsidiaries' management team have practical experiences in mask design and allocation, technology development, and product applications for many years, with leading members as talents for power semiconductor components and process design. Also, the main decision makers at the units of management, business, and quality assurance all have complete practical experience and definite business philosophy. Under the excellent leadership of the management team, it provides a great help for the Company and subsidiaries to enhance the competitiveness.

B. Possess independent R&D capability

The relevant technologies of multiple power semiconductor components possessed by the Company and subsidiaries are all the results of its own research and development. It is beneficial to obtain product key technologies, speed new product development schedule, and make product lines complete and diversified. The Company and subsidiaries also continue to put into considerable R&D expenses every year for research and development, which will be very beneficial to maintain R&D results and continuously develop new products. In addition, the R&D personnel of the Company and subsidiaries have a low turnover rate, and can effectively integrate their technical expertise to the development of each new product and improve the competitiveness of products.

C. Control foundry capacity and improve production efficiency

Through production capacity guarantee cooperation and key packaging equipment investment, the Company and subsidiaries have stabilized supply sources. Taiwan has the advantage of robust semiconductor industry clusters to improve production efficiency. Therefore, when there is a shortage of wafer capacity, we can timely strive for production timeliness, so as not to delay business opportunities, thereby enhancing the competitiveness of the Company and subsidiaries.

D. Provide customers with excellent product development and after-sales service

In order to help customers shorten the product development time and enhance market competitiveness, the Company and subsidiaries provide a complete integrated development system and analog modules for simulation, verification, sample production, and verification circuit boards before product production. Under the shortage of global wafer capacity, it can grow together with customers and maintain a positive relationship.

(4). Advantage and disadvantage factors of development vision and responsive measures

A. Advantage factor

a. In the development of global power semiconductors, major technologies have been dominated by global integrated devices makers (IDMs). Given the rising trend of energy saving and ESG awareness these years, the Company and subsidiaries continuously develop the products to be applied in the green environment market, e.g. energy-saving and low power consumption and provide the low to high voltage products comparable to these products from the international majors.

b. The Company and subsidiaries strive for stable development in the marketing strategy of power semiconductor components. The long-term customers of the Company and subsidiaries are leading manufacturers with a good image and have stable cooperative relations with the Company and subsidiaries.

c. The Company and its subsidiaries provide a complete portfolio of power management products, and accelerate the launch of new products according to customer needs

under the shortage of wafer foundry capacity. The product quality and supply are recognized and trusted.

B Disadvantage factors and responsive measures

- a. In the US-China trade tensions, how to use the advantages of Taiwan's semiconductor industry to increase market share to obtain greater profits

◆Responsive measures:

The Company and subsidiaries use the advantages of Taiwan's complete semiconductor industry to improve production efficiency. Therefore, when there is a shortage of capacity, we can timely strive for production timeliness, turn the crisis into a turning point, and serve customers closer to the market. A more flexible way to enrich product lines and increase profit margins.

- b. It takes longer to cultivate professional and senior R&D personnel. In addition, the Company and subsidiaries have to pay higher labor costs to enhance R&D personnel's coherence to the Company and subsidiaries.

◆Responsive measures:

The Company and subsidiaries do the best to value and train the R&D personnel and recruit R&D personnel. The R&D personnel can not only get profit feedback from Employee Stock Options, Restricted Employee Shares and Employee Stock Ownership, but also have a good working environment and comprehensive job training, which is advantageous in the cultivation of professional R&D talents.

- c. As a fabless design company, the capacity is easily limited by the foundry. When the market is booming, it is often faced with the dilemma of insufficient production capacity of the fab, which will affect the shipment to downstream manufacturers.

◆Responsive measures:

Through production capacity guarantee cooperation and key packaging equipment investment, the Company and subsidiaries have stabilized supply sources.

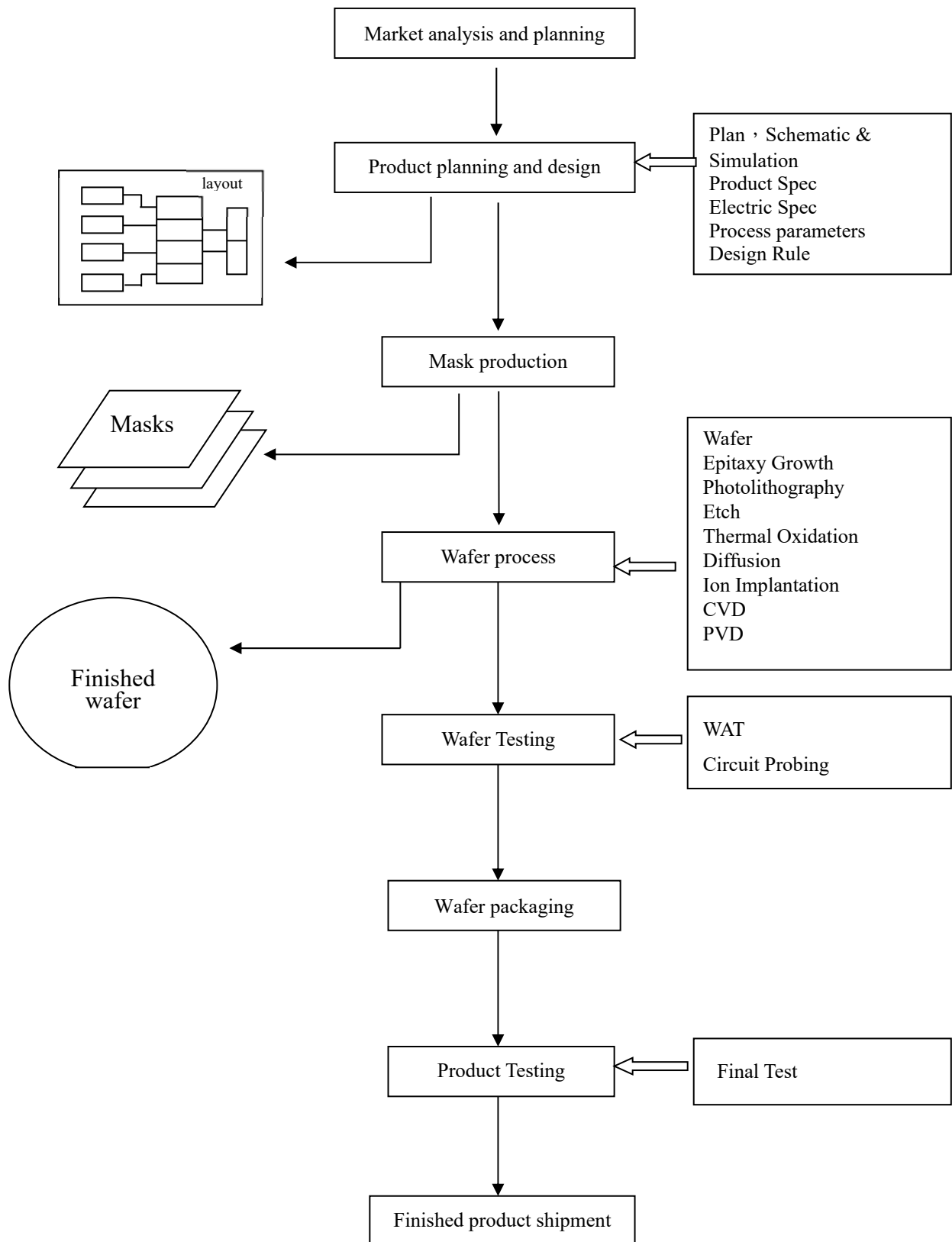
2.2 The key purposes and production process of the main products

(1). The application of main products

Main Products	Application
Low Voltage MOSFET	This is a power control component for information products, with characteristics of low conduction internal resistance, high switching speed, low gate charging capability, high withstand voltage and high current. This is power control systems for portable products such as notebooks, tablets, mobile phones and server systems used in cloud computing.

Main Products	Application
Medium and High Voltage MOSFET	This type of products has the characteristics of high withstand voltage, high current, low conduction internal resistance, and high capability to endure avalanche breakdown. They are applied to the low-watt switching power supplies and adapters, such as the charger for mobile phone batteries, and the adapter of notebooks and monitors. Furthermore, they are widely applied to the high-watt switching power supplies for PFC, Lighting, HID lights for care and servers, satisfying the demands for main switching power loads.
Insulated Gate Bipolar Transistor (IGBT)	It has the advantages of high switching speed, low switching loss, resistance to pulse current impact, reduced conduction voltage, high input impedance, voltage drive and low drive power, etc., and can be applied to electric vehicle motor inverters. The high-speed IGBT has high current drive and high withstand voltage capabilities, and through appropriate manufacturing processes, meets the requirements of rapid switching of components. It can be applied to power supplies for machine tools, electromagnetic heating and other home appliances.
SiC MOSFET	Due to the very low switching loss of SiC MOSFET, the power system can support higher frequency operation, which can reduce the use of peripheral devices (transformers, capacitors). In addition to greatly reducing power loss, it has excellent operating characteristics in high temperature environments. It can simplify the heat dissipation design of the existing IGBT/Si MOSFET, thereby saving space and cost, and giving the product a greater competitive advantage.

(2) The Production process of the main products



2.3 Supply of major raw materials

Major raw materials	Suppliers	Condition of supply
Epitaxial Wafer	EPISIL-PRECISION	Good
Process Wafer	PSMC, HGrace, Mosel Vitelic	Good
Package Assembly	GEM, ATX-Weihai	Good

2.4 Major Customers with over 10% net sales and Suppliers with over 10% total purchases of the last two fiscal years

(1). Major Suppliers of the last two fiscal years

Unit: NT\$'000

Item	2021				2022			
	Name	Amount	Percentage of net annual purchase (%)	Relation with issuer	Name	Amount	Percentage of net annual purchase (%)	Relation with issuer
1	FN012	647,879	23.52	None	FN012	808,145	29.07	None
2	PN011	491,302	17.84	None	PN011	450,963	16.22	None
3					FN013	292,234	10.51	None
	Others	1,615,213	58.64		Others	1,228,585	44.20	
	Total	2,754,394	100.00		Total	2,779,927	100.00	

Explanation of the increase or decrease:

The company and subsidiaries have maintained good relationships with major suppliers in the last two years.

The supply and demand have remained stable, and there have been no major increases or decreases.

(2). Major Customers of the last two fiscal years

Unit: NT\$'000

Item	2021				2022			
	Name	Amount	Percentage of net annual sales (%)	Relation with issuer	Name	Amount	Percentage of net annual sales (%)	Relation with issuer
1	T130044	512,014	12.18	None	T130044	615,585	15.74	None
2	F110044	436,208	10.38	None				
	Others	3,255,417	77.44		Others	3,295,553	84.26	
	Total	4,203,639	100.00		Total	3,911,138	100.00	

Explanation of the increase or decrease:

The sales of the company and subsidiaries in 2022 decreased compared with that in 2021, there was no major increase or decrease in the structure of major customers.

2.5 Production/Sales quantities and values of the last two fiscal years:

Unit: thousand Piece (unit); NT\$'000

Major Product	Year	2021		2022	
		Quantity	Amount	Quantity	Amount
Low Voltage MOSFET		941,466	1,160,922	627,829	932,947
Medium Voltage MOSFET		442,979	1,015,082	327,565	1,080,735
High Voltage MOSFET		148,184	668,851	108,932	579,334
Others		35,577	186,149	44,089	138,067
Total		1,568,206	3,031,004	1,108,415	2,731,083

Note: The Company and the subsidiaries engage in IC design and thus no capacity data.

2.6 Sales quantities and values of the last two fiscal years:

Unit: thousand Piece (unit); NT\$'000

Major Product	Year	2021				2022			
		Domestic Sales		Export Sales		Domestic Sales		Export Sales	
		Qty	Amount	Qty	Amount	Qty	Amount	Qty	Amount
Low Voltage MOSFET		360,368	552,573	571,735	1,015,841	270,469	530,030	356,944	805,594
Medium Voltage MOSFET		91,773	253,669	359,740	1,313,145	90,266	369,467	220,777	1,277,860
High Voltage MOSFET		26,020	167,079	127,362	728,016	19,906	163,820	83,738	613,228
Others		25,899	95,942	10,277	77,374	24,278	72,133	6,992	79,006
Total		504,060	1,069,263	1,069,114	3,134,376	404,919	1,135,450	668,451	2,775,688

3. Human Resources

Unit: EA

Year		2021	2022	As of March 31, 2023
Employee	Manufacturing	43	43	43
	R&D	36	39	40
	Sales and Marketing	39	39	38
	General and Administrative	28	27	29
	Total	146	148	150
Average age		41.12	41.87	42.57
Average years of service		7.74	8.48	8.36
Education Distribution %	PhD Degree	0	0	0
	Master Degree	15.07	15.54	16.00
	College /University	82.88	81.76	81.33
	Senior High School	2.05	2.7	2.67
	Junior High School and below	0	0	0

4. Environmental Protection Expenditure

Losses Related to Environmental Pollution for the Most Recent Year and Up To the Publication Date of this Annual Report

The Company has taken into consideration any potential risks or breach of environmental regulations in formulating its environmental management system. The Company also closely monitors developments in the government's environmental policies or regulations to be able to design precautionary measures. It does not expect any substantial expenditure arising from environmental pollution.

5. Labor Relations

5.1 Any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests

(1). Employees' welfare package

The Company and subsidiaries have always held the philosophy of the union of the employer and the employees, co-existence and co-prosperity, and emphasizes the reasonable, systematic, and humane management that respects the needs of employees. Also on the basis of interests-sharing, everything is handled by the Laws and regulations, and through the full communications and coordination, the good relationship between employer and the employees is established. Therefore, the Company's employees shall unit together, work together, to achieve the business goals in a harmonious working environment.

Talents are the most important resources of the Company, as well as the critical keys for the future growth. Therefore, the except various benefit plans, the Employee Benefit Committee and the Trust of the Employees' Shareholding are established to promote the harmonious relationship between the labor and the management and the best of the employees' benefits.

A. Comprehensive employee health management:

Annual health checkup and health consultation: establish physicians and nurses, provide integrated health management and health promotion services, and take care of employee safety and health. During the epidemic period, COVID-19 rapid screening was distributed to employees to provide new knowledge on COVID-19 epidemic prevention to ensure the safety of employees. Build employee gyms so that employees don't forget to exercise after work.

B. Various employee benefit plans:

Annual leaves are better than the days specified in the Labor Standards Act; Subsidies for wedding, funeral, and birth; Subsidies for training; Health check, Employee's family health check discount; Employee share ownership trust; The bonuses at the year-end, Dragon Boat Festival, Autumn Moon Festival, and Labor Day; Birthday money; Childcare allowance; incentives for senior employees; COVID-19 insurance, vaccine insurance, COVID-19 care leave and vaccination leave and other employee welfare measures.

(2). Employee Communication Channel

The Company and its subsidiaries actively establish communication channels with employees, and conduct two-way communication through different channels to ensure immediate response and achieve labor-management harmony. The relevant communication channels are as follows:

- A. The Company's internal website: Publish the company's major events and recent promotional content to help employees quickly obtain company-related information.
- B. Labor-management meetings: Labor-management meetings are held quarterly to coordinate labor-management relations, promote labor-management cooperation, and prevent various labor problems from happening.
- C. Employee feedback and complaints: According to different matters, corresponding channels are provided on the company's internal website and Email, allowing employees to respond to work, environment and other related issues and suggestions, and respond immediately to ensure smooth feedback channels.

(3). Education and training

The Company and subsidiaries have established the “Procedures for Employee Trainings” to accommodate the guidelines of operations, enhance the knowledge and skills of the employees, for the purpose of improving the efficiency of works and quality of products. The trainings are divided into newcomer training and on-the-job training and conducted by focusing the features of the works and the demands in the professional areas.

The training expenses of the company and subsidiaries for the year 2022:

Training Expenses (\$)	Training Hours (hour)	People Trained
68,715	1,321.2	687

(4). Code of employee’s conducts and ethics

The Company and subsidiaries have established the related guidelines and rules for all the employees to understand the concepts of ethics, rights, obligations and the code of conducts, so they may comply with them. The introductions to the guidelines are as the following:

- A. The Company’s major divisions are separated by functions. Each division is tasked with specific job responsibilities and this separation of functions has strengthened the Company’s core competency.
- B. The Company’s work rules clearly define the rights and obligations of management and employees. Its modern management approach has promoted cooperation among employees and benefited the Company.
- C. The Company’s “Work Rules” include regulations on preventing sexual harassment in the workplace and promoting gender equality. The Company disseminates information on laws and procedures for filing complaints on sexual harassment on the intranet to serve as a guideline for employees.
- D. The Company and subsidiaries have a Code of Conduct in order to improve the behavioral quality, professional ethics and professional ability of all employees, and to pursue the interests of the company within the legal scope. Every employee has

the responsibility to prevent the decrease and damage of the company's interests and to maintain the company's reputation to ensure the company's sustainable growth and development.

(5). Working environment and worker's safety protection

- A. For the labor safety and health, the Company and subsidiaries have established the "Best Practices for Health and Safety" pursuant to the regulations of the competent authorities for the employee to adhere for health and safety issues. To coordinate, plan, supervise, and promote the labor health and safety affairs, pursuant to the "Directions of Occupational Safety and Health Management," the occupational health and safety personnel are established to promote the management of health and safety, as well as to conduct the automatic inspections.
- B. The Best Practices for Health and Safety of the Company and subsidiaries is to prevent the accidents, promote the safety and health of the employees, and protect the assets of the Company through the spirit of management as planning, executing, inspecting, and acting. The safety management of the Company and subsidiaries, not only strives to prevent accidents, but also draft the contingency plans for disasters. In case of disasters, the plans will protect the safety of employees, and prevent or reduce the impacts from the accidents to the society and environment. Also, the Company and subsidiaries have improved the working environment based on the characteristics of the operation sites, to provide a safe and comfortable working environment.
- C. The key points of the Best Practices for Health and Safety of the Company and subsidiaries are to construct a safe working environment, actively prevent the occupational injuries and diseases, protect the mental and physical health of employees, and deepen the awareness to environment, health and safety among the employees, as well as the responsibility assumptions and cultural cultivation. Besides, the regular health check is provided to all employees to ensure their health.
- D. Except the regular fire extinguish system by the Company and subsidiaries, the regular fire drills are also conducted regularly along with the management center of the building, to focus on the improvement of management and hardware. There is an access control. No entrance is allowed without permits, so the safety of the employees is secured.

(6). Retirement plan

The Company and subsidiaries have established the retirement guidelines for employees, covering all the permanent employees. The "Labor Pension Act" has been enforced from July 1, 2005, is a defined contribution plan for retirement. The amount of labor pension borne by the employer pursuant to the Act shall not be less than six percent of the worker's monthly wage.

The Company and subsidiaries withheld NT\$6,786 thousand for labor pensions in 2022.

(7). The Labor-Management Negotiation

The Company takes the humane management as the first priority, and recognizes the employees and the employer are an integral part, co-existing, and co-prosperous. The labor-management meetings are convened regular for the smooth communications between the two parties.

5.2 Losses Related to Labor Disputes for the Most Recent Year and Up To the Publication Date of this Annual Report

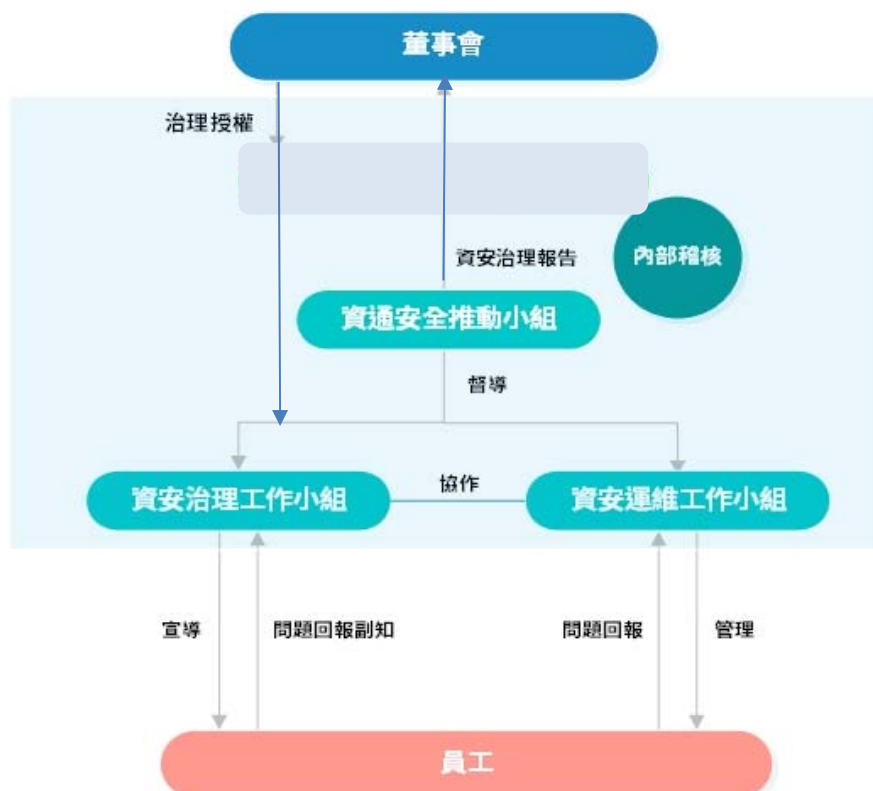
The Company maintains a harmonious management/employee relationship and there were no material disputes.

6. Cyber Security Management

6.1 The Company's Cyber security management framework, Cyber security policies, management plan and investments in resources for cyber security

1. The Company's Cyber security management framework

(1). The Company's Cyber Security Governance Organization



The Company has established a "Cyber Security Promotion unit". The promotion team includes the Cyber Security Governance Team and the Cyber Security Operation Team, which are responsible for cyber security and protection-related policy formulation, implementation, and risk management.

Every year, the internal and external audit conduct cyber security management audit, and regularly report to the board of directors on the effectiveness of cyber security management, issues and directions related to cyber security.

(2). Cyber Security Risk Management

The Company has gradually established risk assessment criteria for cyber security risks. From the organizational level, it will carry out risk management and control on important information assets and core systems according to the impact level and occurrence probability of risks such as value, weakness, and threat.

At the technical level, cyber security technical review is conducted through the management of system and software architecture, vulnerability scanning and review, setting and operation and maintenance, etc.

Through the process of risk management and continuous improvement, reduce the threat to corporate information security, and establish confidential cyber protection that complies with legal norms, customer needs, and corporate operations.

2. Cyber Security Policy

(1). Cyber Security Management Policy

Conduct cyber security risk management through risk assessment, and establish a complete cyber security management system based on the management cycle mechanism of planning, execution, checking and action (Plan-Do-Check-Act, PDCA).

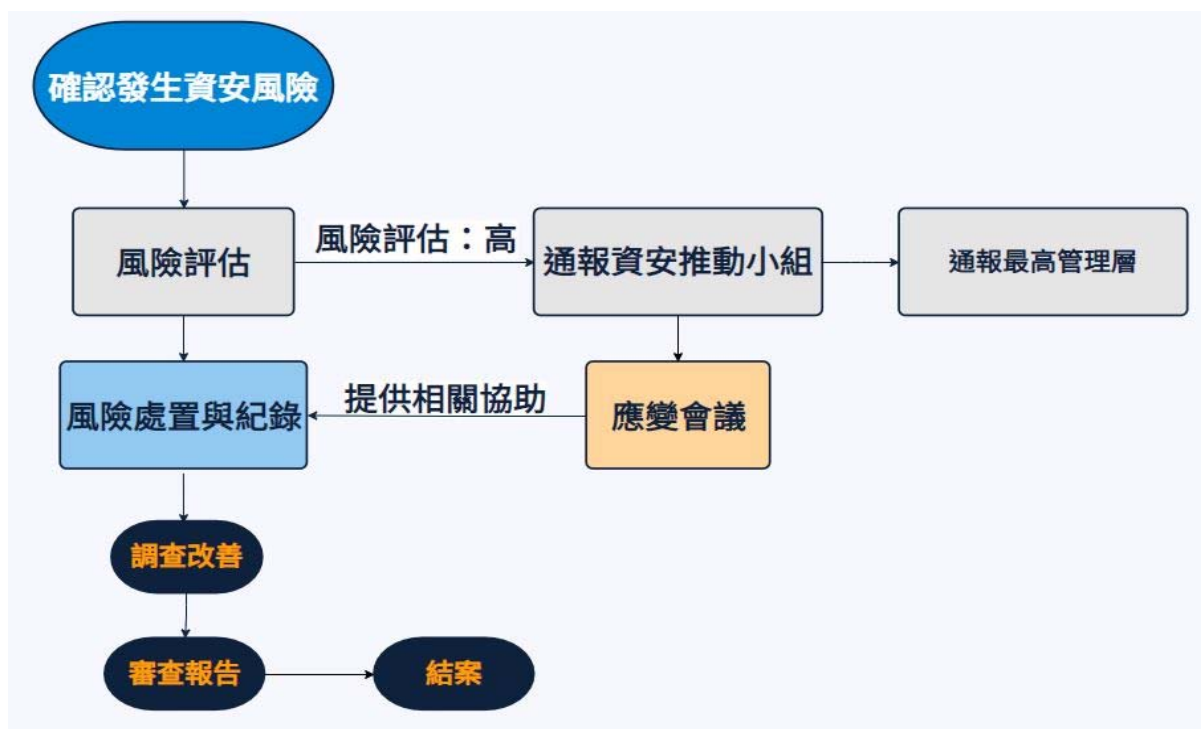
Continuously review the applicability and protection measures of cyber security policies, effectively implement cyber security management, ensure the confidentiality, integrity and availability of cyber assets, and smoothly promote the Company's various businesses.



(2). Specific Management Plan



3. Cyber Security Risks and Countermeasures



4. Investment in Cyber Security Management

The Company uses current events and cases as information security promotion. In order to strengthen Cyber security, an appropriate budget has been prepared in 2022 to strengthen information technology and security protection, and it regularly reports information security management and implementation results to the board of directors every year. On January 11, 2022, the first report of the ninth term of the board of directors was recorded.

6.2 Losses Related to Cyber Security for the Most Recent Year and Up To the Publication Date of this Annual Report

None.

7. Major Contracts

Contract Types	Contract Party	Contract Period	Major Content	Restrictions
Procurement	GEM Tech Ltd. Taiwan Branch. (Samoa)	Apr. 23, 2021 ~ Apr. 22, 2028	Package capacity supply assurance	None
Procurement	Powerchip Semiconductor Manufacturing Corp.	Jan. 1, 2022 ~ Dec. 31, 2024	Foundry capacity supply assurance	None
Procurement	Mosel Vitelic Inc.	Jan. 1, 2023 ~ Dec. 31, 2024	Foundry capacity supply assurance	None

6 Financial Information

1. Five-Year Financial Summary
2. Five-Year Financial Analysis
3. 2022 Audit Committee's Review Report
4. Consolidated Financial Statements and Independent Auditors' Report
5. Parent-only Financial Statements and Independent Auditors' Report
6. Occurrence of Financial Distress on the Company and Affiliates for the Most Recent Year and up to the Publication Date of this Annual Report

Financial Information

1. Five-Year Financial Summary

1.1 Condensed Balance Sheet and Statement of Comprehensive Income

(1). Condensed Balance Sheet

Unit: NT\$'000

Item	Year	Financial Summary for Most Recent 5 Years (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		1,795,612	1,752,216	2,055,710	2,400,264	4,964,972
Property, Plant and Equipment		246,815	236,951	359,000	434,909	458,255
Intangible Assets		5,178	4,395	2,393	2,006	2,878
Other Assets		288,185	255,792	325,282	736,473	746,508
Total Assets		2,335,790	2,249,354	2,742,385	3,573,652	6,172,613
Current	Before appropriation	875,746	832,594	1,053,420	1,236,270	686,900
Liabilities	After appropriation	614,033	957,086	873,264	1,724,313	(Note 3)
Noncurrent Liabilities		293	710	88,974	129,954	7,345
Total	Before appropriation	876,039	833,304	1,142,394	1,366,224	694,245
Liabilities	After appropriation	957,379	873,974	1,223,734	1,854,267	(Note 3)
Equity attributable to owners of the parent company		1,437,067	1,406,820	1,596,999	2,205,760	5,479,409
Paid-in capital		813,405	813,405	813,405	813,405	1,173,405
Capital surplus		328,441	328,700	333,480	344,555	2,977,555
Retained	Before appropriation	370,684	344,473	502,075	1,073,522	1,485,306
earnings	After appropriation (Note 2)	289,344	303,803	420,735	585,479	(Note 3)
Other equity interests		(75,463)	(79,758)	(51,961)	(25,722)	(156,857)
Treasury stock		-	-	-	-	-
Non-controlling interest		22,684	9,230	2,992	1,668	(1,041)
Total equity	Before appropriation	1,459,751	1,416,050	1,599,991	2,207,428	5,478,368
	After appropriation (Note 2)	1,378,411	1,375,380	1,518,651	1,719,385	(Note 3)

Note 1: All financial data have been duly audited by independent auditors.

Note 2: The appropriation amount for the Year 2018 to 2021 has been approved at the AGM.

Note 3: The appropriation amount for Year 2022 still has to be approved at the AGM.

(2). Parent-only Condensed Balance Sheet

Unit: NT\$'000

Item \ Year		Financial Summary for Most Recent 5 Years (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		1,668,378	1,686,364	2,001,722	2,367,101	4,951,445
Property, Plant and Equipment		239,447	233,709	358,287	434,745	458,155
Intangible Assets		5,178	4,395	2,393	2,006	2,878
Other Assets		354,831	303,599	363,857	757,459	765,696
Total Assets		2,267,834	2,228,067	2,726,259	3,561,311	6,178,174
Current Liabilities	Before appropriation	830,438	820,501	1,040,251	1,225,559	683,776
	After appropriation	911,778	861,171	1,121,591	1,713,602	(Note 3)
Noncurrent Liabilities		329	746	89,009	129,992	14,989
Total Liabilities	Before appropriation	830,767	821,247	1,129,260	1,355,551	698,765
	After appropriation	912,107	861,917	1,210,600	1,843,594	(Note 3)
Paid-in capital		813,405	813,405	813,405	813,405	1,173,405
Capital surplus		328,441	328,700	333,480	344,555	2,977,555
Retained earnings	Before appropriation	370,684	344,473	502,075	1,073,522	1,485,306
	After appropriation (Note 2)	289,344	303,803	420,735	585,479	(Note 3)
Other equity interests		(75,463)	(79,758)	(51,961)	(25,722)	(156,857)
Treasury stock		-	-	-	-	-
Total equity	Before appropriation	1,437,067	1,406,820	1,596,999	2,205,760	5,479,409
	After appropriation (Note 2)	1,355,727	1,366,150	1,515,659	1,717,717	(Note 3)

Note 1: All financial data have been duly audited by independent auditors.

Note 2: The appropriation amount for the Year 2018 to 2021 has been approved at the AGM.

Note 3: The appropriation amount for Year 2022 still has to be approved at the AGM.

(3). Condensed Statement of Comprehensive Income

Unit: NT\$'000

Item	Year	Financial Summary for Most Recent 5 Years (Note)				
		2018	2019	2020	2021	2022
Revenues		2,709,090	2,217,249	3,125,776	4,203,639	3,911,138
Gross Profit		499,729	342,563	511,843	1,250,430	1,398,177
Income from Operations		173,236	68,999	239,941	828,973	899,892
Non-operating Income and Expenses		14,001	(10,010)	(16,329)	(32,729)	197,489
Income Before Income Tax		187,237	58,989	223,612	796,244	1,097,381
Continuing operating income after tax		159,899	41,929	196,348	651,480	897,097
Net income		159,899	41,929	196,348	651,480	897,097
Other comprehensive income (after tax)		2,114	(4,549)	27,719	26,222	(50,031)
Comprehensive income		162,013	37,380	224,067	677,702	847,066
Profit attributable to owners of the parent company		166,169	55,129	198,348	652,787	899,827
Profit attributable to non-controlling interest		(6,270)	(13,200)	(2,000)	(1,307)	(2,730)
Comprehensive income attributable to owners of parent company		168,493	50,834	226,069	679,026	849,775
Comprehensive income attributable to non-controlling interest		(6,480)	(13,454)	(2,002)	(1,324)	(2,709)
EPS (NT\$)		2.04	0.68	2.44	8.03	8.83

Note: All financial data have been duly audited by independent auditors.

(4). Parent-only Condensed Statement of Comprehensive Income

Unit: NT\$'000

Item	Year	Financial Summary for Most Recent 5 Years (Note)				
		2018	2019	2020	2021	2022
Revenues		2,527,232	2,177,322	3,105,840	4,192,740	3,908,079
Gross profit		460,591	352,260	501,985	1,235,633	1,395,469
Income from Operations		208,540	130,007	259,508	852,107	920,785
Non-operating income and expenses		(15,421)	(57,577)	(33,896)	(54,556)	179,326
Income before income tax		193,119	72,430	225,612	797,551	1,100,111
Continuing operating income after tax		166,169	55,129	198,348	652,787	899,827
Net income		166,169	55,129	198,348	652,787	899,827
Other comprehensive income (after tax)		2,324	(4,295)	27,721	26,239	(50,052)
Comprehensive income		168,493	50,834	226,069	679,026	849,775
EPS (NT\$)		2.04	0.68	2.44	8.03	8.83

Note: All financial data have been duly audited by independent auditors.

1.2 Independent Auditor's Names and Opinions for Recent 5 Years

Year	Accounting firm	Name of CPA	Opinion
2018	Deloitte & Touche	Wen-Chin Lin, Cheng-Ming Lee	An Unmodified Opinion
2019	Deloitte & Touche	Cheng-Ming Lee, Li-Wen Kuo	An Unmodified Opinion
2020	Deloitte & Touche	Cheng-Ming Lee, Li-Wen Kuo	An Unmodified Opinion
2021	Deloitte & Touche	Chien-Liang Liu, Li-Wen Kuo	An Unmodified Opinion
2022	Deloitte & Touche	Chien-Liang Liu, Wen-Chin Lin	An Unmodified Opinion

2 Five Years Financial Analysis

2.1 Consolidated Financial Analysis for Recent 5 Years

Item \ Year		Financial Summary for Most Recent 5 Years (Note)				
		2018	2019	2020	2021	2022
Financial structure	Liabilities to assets ratio (%)	37.51	37.05	41.66	38.23	11.25
	Long-term fund to PP&E ratio (%)	591.55	597.91	470.46	537.44	1,197.09
Solvency	Current ratio (%)	205.04	210.45	195.15	194.15	722.81
	Quick ratio (%)	106.77	106.60	124.59	145.37	588.10
	Interest coverage ratio (%)	47.08	13.93	77.68	162.48	531.14
Operations	Accounts receivable turnover (Times)	4.37	3.78	4.48	4.56	4.49
	Average collection days	84	97	81	80	81
	Inventory turnover (Times)	3.56	2.34	3.38	4.47	3.41
	Accounts payable turnover (Times)	4.90	4.53	5.50	4.78	5.43
	Average days sales	103	156	108	82	107
	Property, plant and equipment turnover (Times)	10.73	9.17	10.49	10.59	8.76
	Total asset turnover (Times)	1.28	0.97	1.25	1.33	0.80
Profitability	Return on assets (%)	7.68	1.99	7.96	20.75	18.44
	Return on equity attributable to owners of the parent company (%)	11.45	2.92	13.02	34.22	23.34
	Pre-tax income as a % of paid-in capital	23.02	7.25	27.49	97.89	93.52
	Net income margin (%)	5.90	1.89	6.28	15.50	22.94
	EPS (NT\$)	2.04	0.68	2.44	8.03	8.83
Cash flow	Cash flow ratio (%)	(1.59)	(5.51)	39.19	68.31	80.48
	Cash flow adequacy ratio (%)	54.95	9.91	18.74	112.12	106.63
	Cash reinvestment rate (%)	(2.92)	(7.48)	19.02	33.42	1.13
Leverage	Operating leverage	1.87	2.82	1.57	1.32	1.36
	Financial leverage	1.02	1.07	1.01	1.01	1.00

Note: All financial data have been duly audited by independent auditors.

Analysis for any variation plus and minus (+/-) 20% in recent 2 years:

1. Financial structure: Liabilities to assets ratio decreased, mainly due to financial assets measured at amortized cost increased; Long-term fund to PP&E ratio increased, mainly due to Shareholders' equity increased in 2022.
2. Solvency: Current ratio and Quick ratio increased, mainly due to financial assets measured at amortized cost increased; Interest coverage ratio increased, mainly due to Income before income tax increased and Interest expense decreased as well in 2022.

3. Operations: Inventory turnover decreased, Average days sales increased, mainly due to inventory increased; Total asset turnover decreased, mainly due to financial assets measured at amortized cost increased in 2022.
4. Profitability: Return on equity attributable to owners of the parent company decreased, mainly due to Shareholders' equity increased because of capital injection in cash through private placement in 2022.
5. Cash flow: Cash reinvestment rate decreased, mainly due to Cash dividends increased and Net cash generated from operating activities decreased as well in 2022.

2.2 Parent-only Financial Analysis for Recent 5 Years

Item \ Year		Financial Summary for Most Recent 5 Years (Note)				
		2018	2019	2020	2021	2022
Financial structure	Liabilities to assets ratio (%)	36.63	36.86	41.42	38.06	11.31
	Long-term fund to PP&E ratio (%)	600.30	602.27	470.57	537.27	1,199.24
Solvency	Current ratio (%)	200.90	205.53	192.43	193.14	724.13
	Quick ratio (%)	103.95	102.10	122.54	142.61	586.25
	Interest coverage ratio (%)	76.20	17.94	79.97	164.97	548.32
Operations	Accounts receivable turnover (Times)	4.25	3.81	4.46	4.51	4.45
	Average collection days	86	96	82	81	82
	Inventory turnover (Times)	3.64	2.47	3.51	4.56	3.42
	Accounts payable turnover (Times)	4.64	4.44	5.47	4.78	5.43
	Average days sales	100	148	104	80	107
	Property, plant and equipment turnover (Times)	10.30	9.20	10.49	10.57	8.75
	Total asset turnover (Times)	1.23	0.97	1.25	1.33	0.80
Profitability	Return on assets (%)	8.18	2.60	8.10	20.89	18.51
	Return on equity attributable to owners of the parent company (%)	12.13	3.88	13.21	34.33	23.42
	Pre-tax income as a % of paid-in capital	23.74	8.90	27.74	98.05	93.75
	Net income margin (%)	6.58	2.53	6.39	15.57	23.02
	EPS (NT\$)	2.04	0.68	2.44	8.03	8.83
Cash flow	Cash flow ratio (%)	2.78	(6.59)	40.43	67.33	86.64
	Cash flow adequacy ratio (%)	85.09	26.30	35.33	132.19	113.52
	Cash reinvestment rate (%)	(0.79)	(8.05)	19.55	32.75	1.82
Leverage	Operating leverage	1.60	1.83	1.48	1.29	1.35
	Financial leverage	1.01	1.03	1.01	1.01	1.00

Note: All financial data have been duly audited by independent auditors.

Analysis for any variation plus and minus (+/-) 20% in recent 2 years:

1. Financial structure: Liabilities to assets ratio decreased, mainly due to financial assets measured at amortized cost increased; Long-term fund to PP&E ratio increased, mainly due to Shareholders' equity increased in 2022.
2. Solvency: Current ratio and Quick ratio increased, mainly due to financial assets measured at amortized cost increased; Interest coverage ratio increased, mainly due to Income before income tax increased and Interest expense decreased as well in 2022.
3. Operations: Inventory turnover decreased, Average days sales increased, mainly due to inventory increased; Total asset turnover decreased, mainly due to financial assets measured at amortized cost increased in 2022.
4. Profitability: Return on equity attributable to owners of the parent company decreased, mainly due to Shareholders' equity increased because of capital injection in cash through private placement in 2022.
5. Cash flow: Cash reinvestment rate decreased, mainly due to Cash dividends increased and Net cash generated from operating activities decreased as well in 2022.

Formulas for the above tables:**Financial structure**

- (1) Debt to asset ratio = Total liabilities / Total assets
- (2) Long-term fund to PP&E ratio = (Shareholders' equity + Long-term liabilities) / Net PP&E

Solvency

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities
- (3) Interest coverage ratio = Income before interest and taxes / Interest expense

Operations

- (1) Accounts receivable turnover = Net revenue / Average accounts receivable
- (2) Average collection days = 365 / AR turnover
- (3) Inventory turnover = COGS / Average inventory
- (4) Accounts payable turnover = COGS / Average accounts payable
- (5) Average days sales = 365 / Inventory turnover
- (6) PP&E turnover = Net revenue / Average net PP&E
- (7) Total asset turnover = Net revenue / Average total assets

Profitability

- (1) Return on assets = [Net income + Interest expense x (1 – Tax rate)] / Average assets
- (2) Return on equity = Net income / Average equity
- (3) Net income margin = Net income / Net sales
- (4) EPS = (Net income – Preferred stock dividends) / Weighted average outstanding shares

Cash flow

- (1) Cash flow ratio = Cash flow from operating activities / Current liabilities
- (2) Cash flow adequacy ratio = Net cash flow from operating activities for the past 5 years / (Capital expenditure + Increases in inventory + Cash dividends for the past 5 years)
- (3) Cash reinvestment rate = (Cash flow from operating activities – Cash dividends) / (Gross PP&E + Long-term investments + Other assets + Working capital)

Leverage

- (1) Operating leverage = (Net revenue – Variable operating costs and expenses) / Operating income
- (2) Financial leverage = Operating income / (Operating income – Interest expense)

3. 2022 Audit Committee's Review Report

Advanced Power Electronics Co., Ltd. Audit Committee's Review Report

February 21, 2023

The Board of Directors of Advanced Power Electronics Co., Ltd. (APEC) has prepared the APEC's 2022 Business Report, Financial Statements, and the Proposal for profit appropriation. The CPA Chien-Liang Liu and Wen-Chin Lin from Deloitte & Touche were retained to audit APEC's Financial Statements and have issued an audit report relating to the Financial Statements. The said Business Report, Financial Statements, and Proposal for profit appropriation have been reviewed and determined to be correct and accurate by the Audit Committee of APEC in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this Report.

Advanced Power Electronics Co., Ltd.



Chairman of the Audit Committee

4. Consolidated Financial Statements and Independent Auditors' Report

Refer to the attachment I.

5. Parent-only Financial Statements and Independent Auditors' Report

Refer to the attachment II.

6. Occurrence of Financial Distress on the Company and Affiliates for the Most Recent Year and up to the Publication Date of this Annual Report

None.

7 Financial Status, Operating Results and Status of Risk Management

1. Financial Position
2. Financial Performance
3. Cash Flow
4. Major Capital Expenditure
5. Investment Policies
6. Risk Management
7. Others

Financial Status, Operating Results and Status of Risk Management

1. Financial Position

1.1 Consolidated balance sheet analysis:

Unit: NT\$'000

	2022	2021	YoY change	
			Amount	%
Current assets	4,964,972	2,400,264	2,564,708	106.85
Property, plant and equipment	458,255	434,909	23,346	5.37
Intangible assets	2,878	2,006	872	43.47
Other assets	746,508	736,473	10,035	1.36
Total assets	6,172,613	3,573,652	2,598,961	72.73
Current liabilities	686,900	1,236,270	(549,370)	(44.44)
Non-current liabilities	7,345	129,954	(122,609)	(94.35)
Total liabilities	694,245	1,366,224	(671,979)	(49.19)
Paid-in capital	1,173,405	813,405	360,000	44.26
Capital surplus	2,977,555	344,555	2,633,000	764.17
Retained earnings	1,485,306	1,073,522	411,784	38.36
Other equity	(156,857)	(25,722)	(131,135)	(509.82)
Equity attributable to owners of the parent	5,479,409	2,205,760	3,273,649	148.41
Non-controlling interests	(1,041)	1,668	(2,709)	(162.41)
Total equity	5,478,368	2,207,428	3,270,940	148.18

1.2 Analysis for any variation plus and minus (+/-) 20% and over NT\$ 10 million:

- (1). Current assets and total assets increased: Mainly due to financial assets measured at amortized cost increased.
- (2). Current liabilities, non-current liabilities and total liabilities decreased: Mainly due to repay bank loans.
- (3). Paid-in capital, Capital surplus and total equity increased: Mainly due to Long-term borrowings increased.
- (4). Retained earnings, equity attributable to owners of the parent increased: Mainly due the Company issued common shares for capital injection in cash through private placement.
- (5). Other equity decreased: Mainly due to unrealized loss on financial assets at fair value through other comprehensive income increased.

2. Financial Performance

2.1 Consolidated Statements of Comprehensive Income analysis

Unit: NT\$'000

	2022	2021	YoY change	
			Amount	%
Revenues	3,911,138	4,203,639	(292,501)	(6.96)
Gross profit	1,398,177	1,250,430	147,747	11.82
Income from operations	899,892	828,973	70,919	8.56
Non-operating income and expenses	197,489	(32,729)	230,218	703.41
Income before income tax	1,097,381	796,244	301,137	37.82
Net income	897,097	651,480	245,617	37.70
Total comprehensive income	847,066	677,702	169,364	24.99
Net profit attributable to owners of the parent	899,827	652,787	247,040	37.84
EPS (NT \$)	8.83	8.03	0.80	9.96

2.2 Analysis for any variation plus and minus (+/-) 20% and over NT\$ 10 million:

- (1). Non-operating income and expenses increased: Mainly due to foreign currency exchange gains arising from the appreciation of the New Taiwan dollar.
- (2). Income before income tax, net income, total comprehensive income and net profit attributable to owners of the parent increased: Mainly due to gross profit and non-operating income and expenses increased.

3. Cash Flow

3.1 Analysis of Consolidated Cash Flows for the Most Recent 2 Years

Unit: NTS'000

	2022	2021	YoY change	
			Amount	%
Cash and cash equivalents at the beginning of the year	693,779	445,441	248,338	55.75
Net cash generated from operating activities	552,798	844,534	(291,736)	(34.54)
Net cash generated from/ (used in) investing activities	(2,606,466)	(535,614)	(2,070,852)	386.63
Net cash generated from / (used in) financing activities	1,982,126	(46,638)	2,028,764	(4,350.02)
Effect of exchange rate changes on cash and equivalents	62,602	(13,944)	76,546	(548.95)
Cash and cash equivalents at the end of the year	684,839	693,779	(8,940)	(1.29)

3.2 Analysis for any variation plus and minus (+/-) 20%:

- (1). Net cash generated from operating activities decreased: Mainly due to inventories increased.
- (2). Net cash generated from/ (used in) investing activities increased: Mainly due to financial assets measured at amortized cost increased.
- (3). Net cash generated from / (used in) financing activities increased: Mainly due to capital injection in cash.

3.3 Source of Funding for Negative Cash Flow in 2023: Not applicable.

3.4 Cash Flow Analysis for 2023:

Unit: NTS'000

Cash balance, beginning of the year	Forecast net cash inflow from operations	Forecast cash outflow from investment and financing activities	Cash balance, end of the year	Source of funding for negative cash balance	
				Cash inflow from investment activities	Cash inflow from financing activities
684,839	644,379	618,865	710,353	-	-

(1). Cash Flow Analysis for 2023:

- A. Projected cash inflow from operating activities: Expected to remain relatively stable.
- B. Projected cash outflow from investment activities: For capital expenditure.
- C. Projected cash inflow from financing activities: From cash dividend distribution.

- (2). Projected cash inflow from financing activities: From cash dividend distribution: Not applicable.

4. Major Capital Expenditure

4.1 Major Capital Expenditures and Source of Funding

Unit: NT\$'000

Plan	Actual or Planned Source of Capital	Estimated Capital Requirement	Status of Actual or Projected Use of Capital	
			2022	2021
Fixed Assets - Land, Buildings, Office Equipment and Machinery Equipment	Cash flow generated from operation	134,319	40,278	94,041
Intangible Assets - Software	Cash flow generated from operation	7,454	4,552	2,902

4.2 Expected Benefits

(1). Fixed Assets - Land, Buildings, Office Equipment:

The Company's offices and parking spaces is to provide employees with suitable and well-planned workspaces to increase work efficiency.

(2). Fixed Assets - Machinery Equipment:

Machinery equipment used for the Company's R&D process to shorten the product development cycle.

(3). Intangible Assets – Software:

To strengthen the Company's computer information system and R&D software.

5. Investment Policies

The Company and its subsidiaries focus on making long-term and strategic investments. The objective is to strengthen and diversify its core business activities and expand into new fields to create synergies. The investment loss accounted for using equity method in 2022 is NT\$ 22,288 thousand as the operations of Chinese mainland market. For future investments, the Company will continue to make decisions based on prudent strategic assessments.

6. Risk Management

6.1 Risks Associated with Interest Rate Fluctuation, Foreign Exchange Volatility, and Inflation:

(1). Impact on Company Profit and Loss

Unit: NT\$'000

Items	2022	2021
Interest Income, Net	22,480	(2,050)
Foreign Exchange Gains/(Loss)	173,828	(24,226)
Revenues	3,911,138	4,203,639
Income Before Income Tax	1,097,381	796,244
Interest Income, Net as % of Revenues	0.57%	(0.05%)
Interest Income, Net as % of Income Before Tax	2.05%	(0.26%)
Foreign Exchange Gains/(Loss) as % of Revenues	4.44%	(0.58%)
Foreign Exchange Gains/(Loss) as % of Income Before Tax	15.84%	(3.04%)

A. Impact of interest rate fluctuations

U.S. rate hikes rapidly, triggering a simultaneous rise in Taiwan dollar interest rates in 2022. The average interest rate of the US dollar is from 0.33% to 4.81%, and the average interest rate of the New Taiwan dollar is from 0.58% to 1.42%. The cash inflow from capital injection in cash through private placement increase has greatly increased the Company's interest income. At the same time, because the long-term loans have been paid off and interest expenses have been reduced, the overall net interest income have increased significantly.

B. Impact of exchange rate fluctuations

Most of the Company and subsidiaries' sales are denominated in US dollars, and thus the movement of exchange rates impacts the income of the period. Due to the sharp rise in US interest rates in 2022, the New Taiwan dollar depreciated sharply. In November, the US dollar interest rate hike slowed down, so the New Taiwan dollar appreciated. Thus, the gain/loss of the exchange had a relatively higher ratio to the net operating profit. To minimize the impact from foreign exchange rate fluctuations, the Company monitors the movement of exchange rates and the foreign exchange positions held while maintaining the balance between the foreign currency assets and liabilities.

C. Impact of inflation

The 2022 consumer price index (CPI) increased by 2.71% compared with that in 2021. Raw material and energy prices are currently subject to substantial fluctuations due, among others, to inflation, which affects production prices and supply risks. The Company and its subsidiaries always pay attention to the fluctuation of market prices and maintain a good interaction with suppliers and customers to avoid the adverse impact of inflation on the Company's profit and loss.

(2). Mitigating Measures

To minimize the impact from the movement of exchange rate to the profit/loss of the Company and subsidiaries, the quotations take into account of the adjustment of prices resulted from the movement of exchange rate, to protect the reasonable profits of the Company and subsidiaries. The finance department works closely with the banks to grasp the movement of exchange rate for timely reactions. For the US dollars receivables and payables, the natural off-set approach is taken. The sales are denominated in US dollars, and the imported goods are paid with US dollars. The flexible payment mechanism (early or delayed payment) is applied to mitigate the risks from the movement of exchange rate. For the inflations, the Company and subsidiaries will react by monitoring the global economics situations.

6.2 Risks Associated with High-Risk/High-Leveraged Investment; Lending, Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions:

(1). High-risk, High-leverage Financial Instruments: None.

(2). Loans, Debt Guarantees: The Company passed the Rules and Procedures on Lending and Making Endorsement/Guarantees to supervise its financing and endorsement activities. The Company and its subsidiaries are not conducted in Lending and Making Endorsement/Guarantees.

(3). Derivatives transaction: The Company conducts acquisition or disposal of assets in accordance with the Procedures for Acquisition or Disposal of Assets. The Company and its subsidiaries are not conducted derivatives transaction.

As part of the Company's conservative financial management, it does not engage in investments that are either high-risk or highly leveraged. The Company has in place a complete and thorough policy and internal control scheme governing lending, endorsements, guarantees for other parties, and financial derivative transactions. The Finance Department is responsible for related risk management.

6.3 Future Research and Development Projects and Corresponding Budget

Unit: NT\$'000

R&D project	Plan description	Intellectual property rights	Projected Budget
1. Development of high-speed super junction POWER MOSFET and 5th-generation semiconductor 2. Development of SiC MOSFET and 2nd-generation semiconductor	Optimize material of POWER MOSFET and 5th-generation semiconductor materials	Material of Power MOSFET	22,769
	Optimize material of SiC MOSFET and 2nd-generation semiconductor materials		
	Optimize semiconductor process parameters of POWER MOSFET and 5th-generation semiconductor	Fab process of Power MOSFET	45,768
	Optimize semiconductor process parameters of SiC MOSFET and 2nd-generation semiconductor		
	Develop new package and optimize package structure of POWER MOSFET and 5th-generation semiconductor	New package and package structure	49,230
	Develop new package and optimize package structure of SiC MOSFET and 2nd-generation semiconductor		
	Optimize dynamic characteristics of POWER MOSFET and 5th-generation semiconductor	Integrated circuit architecture of Power MOSFET	39,872
	Optimize dynamic characteristics of SiC MOSFET and 2nd-generation semiconductor		

The progresses of the said development are expected to complete the process platforms and start to produce commercially.

6.4 Risk Associated with Changes in the Political and Regulatory Environment

The Company and subsidiaries have been watching any domestic or overseas policies potentially affecting the finance and business of the Company, and the risk management procedures are established accordingly. For the daily operation, the Company and subsidiaries always abide by the applicable domestic and overseas laws and regulations while monitoring the trend of domestic and overseas policy development and the changes of laws and regulations and collecting the relevant information as the reference to the management, for the purpose of adjusting the operating strategies for the Company and subsidiaries. As of now, the finance and business of the Company and subsidiaries have not yet impacted materially due to any change to the domestic and overseas key policies and laws.

The HR Administration Department and Finance Department are responsible for risks associated with changes in the political and regulatory environment.

6.5 Impact of New Technology and Industry Changes

The COVID-19 epidemic has rewritten the global situation and technology trends. The international situation, post-epidemic normalcy, environmental protection consensus, and policy support, especially electric self-driving cars, cloud services, and green energy power generation, will become the trend of future industrial development. The Company and subsidiaries will actively develop a new generation of low, Medium, and high-voltage Power MOSFETs in line with the trend of industry development.

The Company and subsidiaries have always valued the cultivation of R&D talents and the development of products and technologies. Currently, the Company and subsidiaries have a solid financial position with sufficient funds to react to the needs for future technology development.

To promote the cyber security policies, implement the cyber security incident reporting and contingency measures, the Company and subsidiaries regularly evaluate the cyber security risks, implement the cyber security education and training, and formulate an audit mechanism for the implementation of the security maintenance plan, and strictly implement the security risk management.

The Company's Business Units are responsible for risks associated with new technology and industry changes.

6.6 Changes in Corporate Image and Impact on Company's Crisis Management

The most essential image of the Company and subsidiaries is integrity without seeking illegal benefits. This is also the critical principle for the corporate culture. Therefore, integrity has become the nature of the Company regarding the corporate governance.

The Company's Business Units are responsible for risks associated with the Company's image and impact on the Company's crisis management.

6.7 Risks Associated with Mergers and Acquisitions

As of the most recent year and up to the publication date of this annual report, the Company and subsidiaries have no plan for M&A. However, shall there be any M&A plan in the future,

a rigorous assessment will be conducted to see if any tangible synergy will be achieved for the Company and subsidiaries so that the interests of the shareholders are protected.

6.8 Risks Associated with Facility Expansion

To meet the Company's future growth and increasing demand in talents, the Company and its subsidiaries re-planned an appropriate and comfortable office space in Zhubei Yuen Hi-Tech Industrial Park in 2022. Expansion plans are under prudent assessments to ensure they fully meet operation needs such as space for working, labs and the rest to support customer service and market product development. Results of the benefit assessment are within the Company's expectation.

The HR Administration Department is responsible for managing the risks associated with plant expansion.

6.9 Risks Associated with Purchase Concentration and Sales Concentration

(1). Purchasing:

The Company and subsidiaries are professional IC design company. The needed purchases mainly are epitaxial wafers or outsourced production to OEM foundries. To diversify the source of purchases, the Company and subsidiaries have selected have cooperation with professional foundries to ensure the diversified product developments and sufficient supplies of capacities.

(2). Sales:

To maintain the stable operating revenue, the Company and the subsidiaries maintain good partnerships with customers under the principles of equality and co-benefit and the satisfactions of supplies and demands for both parties. Meanwhile, the Company and the subsidiaries strive to upgrade the quality and portfolio of products in the recent years, and diversify the customers portfolio. The Company is not subjected to the risks of sales concentration, as the Company maintains good relationships with long-term customers while gaining new customers aggressively.

The Operations Division and Sales Division are responsible for managing the risks associated with purchase concentration and sales concentration.

6.10 Risks Associated with Sales of Significant Numbers of Shares by the Company's Directors and Major Shareholders Who Own 10% or more of the Company's Total Outstanding Shares

For long-term strategic development and competitiveness enhancement, with the total number of issued common shares to be no more than 35 million shares which have been resolved in the shareholders' meeting on April 13, 2022 and to authorize the board of directors to issue common shares for capital injection in cash through private placement within one year from the resolution date of the shareholders' meeting. The board of directors of the Company passed a resolution to select the specific parties XSemi Corporation on May 20, 2022, and on May 31, 2022 as the record date for capital increase. The Company issued 35 million shares at a price of NT\$ 82.48 per share, and raised a total of funds NT\$ 2,886,800 thousand, and the capital registration was completed on June 14, 2022.

XSemi Corporation became the major shareholder of the Company holding more than 10% or more of the Company's total outstanding shares, accounting for 29.69% of the Company's paid-in capital.

6.11 Risks Associated with Change in Management

None.

6.12 Risks Associated with Litigations

None.

6.13 Other Material Risk

None.

7. Others : None.

8 Subsidiary Information and Other Special Notes

1. Affiliated Companies in 2022
2. Private Placement Securities in the Most Recent Year and up to the Publication Date of this Annual Report
3. The Company's Shares Held or Disposed by Subsidiaries in the Most Recent Year and up to the Publication Date of this Annual Report
4. Other Supplementary Information
5. Material Impact, pursuant to Article 36-3-2 of the Securities and Exchange Act, on Shareholders' Equity or Share Price in the Most Recent Year and up to the Publication Date of this Annual Report

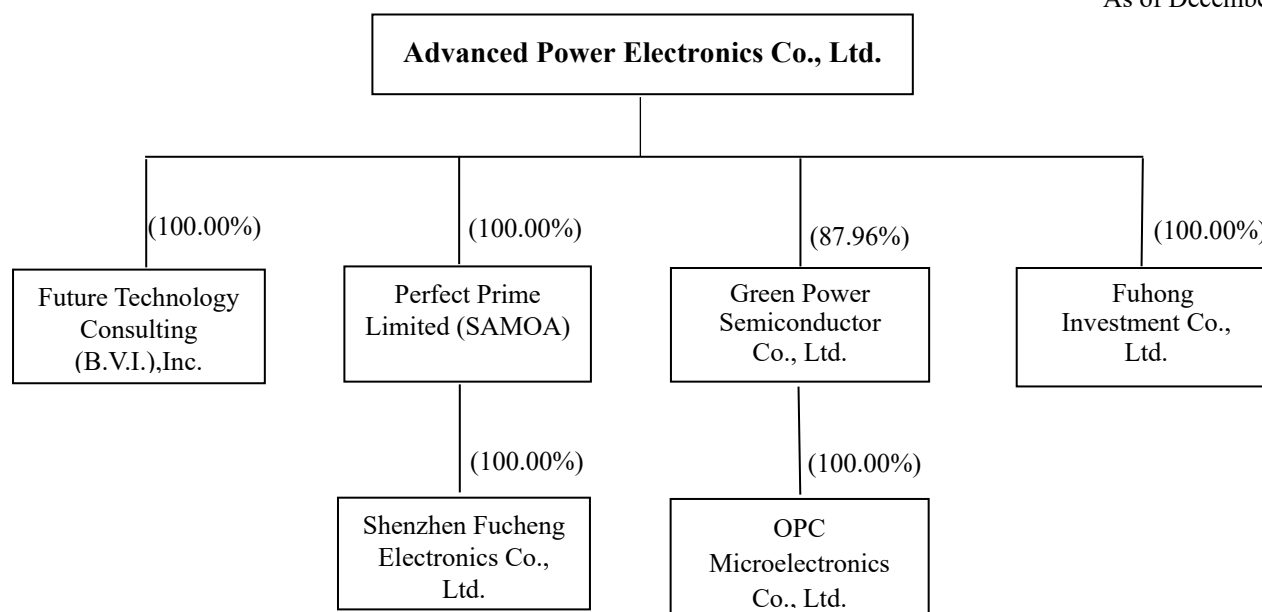
Subsidiary Information and Other Special Notes

1. Affiliated Companies in 2022

1.1 Consolidated Operation Report of the Company and Affiliates

(1). Investment holding structure

As of December 31, 2022



(2). Affiliates Profiles

As of December 31, 2022; Unit: '\$'000

Affiliate Name	Date of Incorporation	Address	Paid-in Capital	Primary Business Operation
Future Technology Consulting (B.V.I.), Inc.	April 29, 1999	Town, Tortla, British Virgin Islands	US\$ 2,350	Investments
Perfect Prime Limited (SAMOA)	December 15, 2015	Off shore Chambers, P.O.Box 217, Apia, Samoa	US\$ 450	Investments
Green Power Semiconductor Co., Ltd.	July 14, 2016	12F-1, No. 5, Tai Yuan First St., Zhubei City, Hsinchu County 30288, Taiwan (R.O.C.)	NT\$ 19,500	Trading business
Fuhong Investment Co., Ltd.	July 20, 2021	18F-3, No. 95, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City 221, Taiwan (R.O.C.)	NT\$ 80,000	Investments

Affiliate Name	Date of Incorporation	Address	Paid-in Capital	Primary Business Operation
Shenzhen Fucheng Electronics Co., Ltd.	April 15, 2016	Room 903-905, MeiLan Business Center, Crossing of XiXiang Avenue and QianJin Road, Baoan District, Shenzhen City	US\$ 440	Electronic parts and components manufacturing, home appliance wholesale, home appliance retail sale, product outlook design, information software service, other designs (electronic element design, integrated circuit design, semi-conductor design), other commercial service (electronic element, integrated circuit, semi-conductor, among other electronics testing service), electronic material wholesale, electronic material retail sale.
OPC Microelectronics Co., Ltd.	May 30, 2016	Room 202-34, Building No. A10, No.777, Jianzhu west Rd., Binhu Dist., Wuxi City	US\$ 2,092	Integrated circuit, software design, development, and technical service; electronic products, instruments and meters, telecommunication equipment, computer and auxiliary equipment wholesale, commissioning and imports and exports business.

(3). Companies presumed to have a Relationship of Control and Subordination with The Company: None.

(4). Industries covered by Affiliates' Business Operation:

The Company and its affiliates focus on the production and sales of Power MOSFETs, and mainly focus on investment holding and providing after-sales service to customers.

(5). Affiliates' Directors, Supervisors and Executives Names and Shareholdings

As of December 31, 2022

Affiliate Name	Title	Name or Representative	Shares	%
Future Technology Consulting (B.V.I.), Inc.	Director	Representative of Advanced Power Electronics Co., Ltd.: Fu-Chi Teng	2,350,000	100.00
Perfect Prime Limited (SAMOA)	Director	Representative of Advanced Power Electronics Co., Ltd.: Fu-Chi Teng	450,000	100.00
Green Power Semiconductor Co., Ltd.	Chairman	Representative of Advanced Power Electronics Co., Ltd.: Fu-Chi Teng	1,715,250	87.96
	Director	Representative of Advanced Power Electronics Co., Ltd.: Lin-Chung Huang	1,715,250	87.96
	Director	Representative of Advanced Power Electronics Co., Ltd.: Mei-Ying Tan	1,715,250	87.96
	Supervisor	Fneg-Chun Yeh	0	0.00
	President	Fu-Chi Teng	0	0.00

Affiliate Name	Title	Name or Representative	Shares	%
Fuhong Investment Co., Ltd.	Chairman	Representative of Advanced Power Electronics Co., Ltd.: Mei-Ying Tan	8,000,000	100.00
	Director	Representative of Advanced Power Electronics Co., Ltd.: Fu-Chi Teng	8,000,000	100.00
	Director	Representative of Advanced Power Electronics Co., Ltd.: Lin-Chung Huang	8,000,000	100.00
	Supervisor	Representative of Advanced Power Electronics Co., Ltd.: Fneg-Chun Yeh	8,000,000	100.00
Shenzhen Fucheng Electronics Co., Ltd.	Chairman	Representative of Perfect Prime Limited (SAMOA): Mei-Ying Tan	Note	100.00
	Supervisor	Representative of Perfect Prime Limited (SAMOA): Fneg-Chun Yeh		
	President	Mei-Ying Tan		0.00
OPC Microelectronics Co., Ltd.	Chairman	Representative of Green Power Semiconductor Co., Ltd.: Mei-Ying Tan	Note	100.00
	Director	Representative of Green Power Semiconductor Co., Ltd.: Fu-Chi Teng		
	Director	Representative of Green Power Semiconductor Co., Ltd.: Lin-Chung Huang		
	Supervisor	Representative of Green Power Semiconductor Co., Ltd.: Fneg-Chun Yeh		

Note: It is a limited company.

(6). Affiliates' Operating Highlights

As of Dec 31, 2022; Unit: NT\$'000

Affiliate Names	Paid-in Capital	Total Asset	Total Liability	Total Equity	Total Revenues	Operating Income	Net Income	EPS, NT\$
Future Technology Consulting (B.V.I.), Inc.	75,426	19,645	212	19,433	0	(4,351)	(4,397)	0
Perfect Prime Limited (SAMOA)	14,540	5,028	0	5,028	0	(28)	4,775	0
Green Power Semiconductor Co., Ltd.	19,500	6,162	14,809	(8,647)	0	(847)	(22,677)	0

Affiliate Names	Paid-in Capital	Total Asset	Total Liability	Total Equity	Total Revenues	Operating Income	Net Income	EPS, NT\$
Fuhong Investment Co., Ltd.	80,000	66,664	92	66,572	0	(181)	(2,719)	0
Shenzhen Fucheng Electronics Co., Ltd.	13,512	5,877	1,005	4,872	12,870	4,742	4,804	0
OPC Microelectronics Co., Ltd.	63,766	8,329	23,058	(14,729)	31,616	(20,464)	(22,104)	0

1.2 Consolidated Financial Report of the Company and Affiliates : For more details, please refer to Attachment I.

1.3 Affiliation Report : None.

2. Private Placement Securities in the Most Recent Year and up to the Publication Date of this Annual Report

Item	1st Private Placement of 2022 Issue date: June 30, 2022
Type of private placement securities	Common Shares
Date of approval by the shareholders meeting and amount approved	Date of the shareholders meeting : April 13, 2022 The total amount of common shares to be privately placed shall be no more than 35 million shares and such amount shall be issued at once within one year from the resolution date of the shareholders' meeting.
Basis and rationality of the price setting	The private placement price determination date is May 20, 2022. The higher calculated price based on two standard calculations will be chosen by the Company. The closing price in the previous day is NT\$110.50, the average closing price in the previous three days is NT\$109.83, the average closing price in the previous five days is NT\$109.10. The average closing price in the previous five days and the previous 30 days, after adjustment for any distribution of stock dividends, cash dividends or capital reduction, are NT\$103.10 and NT\$96.82, respectively. According to the principle of two standard calculations, the higher chosen reference price is NT\$103.10. The actual subscription price decided by a shareholders' meeting resolution shall not be lower than 80% of the reference price. The subscription price for this private placement is NT\$82.48.

Item	1st Private Placement of 2022 Issue date: June 30, 2022				
	It is confirmed that the Company has handled the matter in a legally appropriate manner.				
Method of selection of qualified persons	The counterparties for private placement will be limited to the specific parties provided under Article 43-6 of the Securities and Exchange Act and the “Directions for Public Companies Conducting Private Placements of Securities”, and those who are relevant to strengthen the technology, or business required for the Company’s operations as strategic investors.				
Reason for necessity of private placement	In terms of the effectiveness, feasibility and issuance cost, private placement is more appropriate than the public offering in considering the current market. The 3-year lockup restriction of private placement shall reinforce the long term partnership between the Company and the strategic investors. Thus, the Company shall issue common shares in accordance with the private placement related legislations.				
Share payment completion date	May 31, 2022				
Information on the placees	Counterparty of the private placement	Qualifications	Subscription quantity (share)	Relationship with the Company	Participation in the Company’s operations
	XSemi Corporation	Article 43-6 of the Securities and Exchange Act	35,000,000	None	None
Actual subscription price	NT\$ 82.48 per share				
Difference between actual subscription price and reference price	The actual subscription price is NT\$82.48, which is 80.00% of the reference price of NT\$103.10.				
Impacts of private placement on shareholders' equity	The actual subscription price is higher the par value, therefore, it is regarded as no material adverse impact on the shareholder’s equity.				
Fund utilization of private placement and project implementation progress	The injected fund from the private placement is used to replenish the working capital of NT\$2,606,800,000, and the total amount used to repay the bank loan is NT\$280,000,000. 100% of the fundraising plan has been implemented.				
Private placement benefits	The injected fund from the private placement is used to replenish working capital and repay bank loans. By conducting private placement, the Company is expecting to strengthen the Company’s competitiveness, increase operation competitiveness and improve the financial structures; therefore, it is regarded as positive to improve the shareholder’s equity.				

3. The Company's Shares Held or Disposed by Subsidiaries in the Most Recent Year and up to the Publication Date of this Annual Report

None.

4. Other Supplementary Information

None.

5. Material Impact, pursuant to Article 36-3-2 of the Securities and Exchange Act, on Shareholders' Equity or Share Price in the Most Recent Year and up to the Publication Date of this Annual Report

None.

Attachment I

Advanced Power Electronics Co.,
Ltd. and Subsidiaries

Consolidated Financial Statements
for the Years Ended December 31,
2022 and 2021 and Independent
Auditors' Report

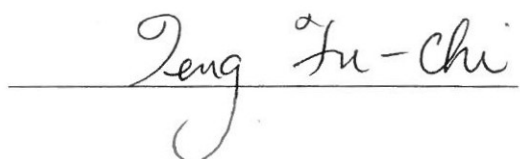
Address: 12F-1 and 12F-2, No. 5, Taiyuan 1st ST., Zhubei
City, Hsinchu County, 30265, Taiwan, R.O.C.
Telephone: 886-3-6215899

REPRESENTATION LETTER

The entities that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as those included in the consolidated financial statements of Advanced Power Electronics Co., Ltd. and its subsidiaries prepared in conformity with the International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates is included in the consolidated financial statements of Advanced Power Electronics Co., Ltd. and its subsidiaries. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Advanced Power Electronics Co., Ltd.

A handwritten signature in cursive script, reading "Teng Fu-Chi", is written over a horizontal line.

Fu-Chi Teng

Chairman

February 21, 2023

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Advanced Power Electronics Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Advanced Power Electronics Co., Ltd. and its subsidiaries (collectively, the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) 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 the Standards on Auditing of the ROC. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the ROC, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2022 are stated as follows:

Validity of Revenue

The Group's primary source of revenue is generated from design and sales of power semiconductors (Power MOSFETs). Due to the revenue recognition has inherently higher fraud risks and the management may be under pressure to achieve financial goals. Therefore, we identified the validity of the revenue derived from these distributors with significant growth and material amount has been identified as a key audit matter.

The main audit procedures that we performed to assess the validity of the revenue are as follows:

1. We understood the designed and tested operating effectiveness of internal control and confirmed the validity of revenue recognition.
2. We sampled the transaction documents related to revenue, including sales order, shipping, customs documents, and verified cash collections which have related to revenue derived from the above-mentioned customers and verified the reasonableness of revenue recognition.

Other Matter

We have also audited the parent company only financial statements of Advanced Power Electronics Co., Ltd. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

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

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

Those charged with governance (including the audit committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the ROC, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 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.

The engagement partners on the audit resulting in this independent auditors' report are Chien-Liang Liu and Wen-Chin Lin.

Deloitte & Touche

Taipei, Taiwan

Republic of China

February 21, 2023

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Taiwan, the Republic of China (ROC) and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the ROC.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.

Advanced Power Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED BALANCE SHEET
(In Thousands of New Taiwan Dollars)

	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents (Notes 4 and 6)	\$ 684,839	11	\$ 693,779	19
Financial assets at amortized cost (Notes 4 and 9)	2,596,010	42	44,825	1
Notes receivable (Note 10)	9,616	-	30,552	1
Accounts receivable (Notes 4 and 10)	705,533	11	981,146	28
Other receivables (Notes 4, 10 and 26)	43,341	1	46,320	1
Current tax assets (Note 4)	4	-	12	-
Inventories (Notes 4 and 11)	872,626	14	599,180	17
Other current assets	53,003	1	4,450	-
Total current assets	<u>4,964,972</u>	<u>80</u>	<u>2,400,264</u>	<u>67</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (Notes 4 and 7)	24,108	-	27,500	1
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	140,469	2	89,203	2
Financial assets measured at amortized cost (Notes 4 and 9)	2,000	-	345,121	10
Property, plant and equipment (Notes 4 and 12)	458,255	8	434,909	12
Right-of-use assets (Notes 4 and 13)	7,196	-	1,861	-
Other intangible assets, net (Note 4)	2,878	-	2,006	-
Deferred tax assets (Notes 4 and 21)	33,199	1	34,043	1
Other non-current assets (Note 14)	539,536	9	238,745	7
Total non-current assets	<u>1,207,641</u>	<u>20</u>	<u>1,173,388</u>	<u>33</u>
TOTAL	<u>\$ 6,172,613</u>	<u>100</u>	<u>\$ 3,573,652</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ -	-	\$ 270,000	8
Notes payable	3,853	-	37,328	1
Accounts payable	300,597	5	584,554	16
Other payables (Note 17)	245,981	4	203,721	6
Current tax liabilities (Note 4)	122,947	2	116,288	3
Lease liabilities (Notes 4 and 13)	3,244	-	687	-
Long-term borrowings - current portion (Note 16)	-	-	15,456	-
Other current liabilities	10,278	-	8,236	-
Total current liabilities	<u>686,900</u>	<u>11</u>	<u>1,236,270</u>	<u>34</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 16)	-	-	128,725	4
Deferred tax liabilities (Notes 4 and 21)	3,391	-	-	-
Lease liabilities (Notes 4 and 13)	3,954	-	1,229	-
Total non-current liabilities	<u>7,345</u>	<u>-</u>	<u>129,954</u>	<u>4</u>
Total liabilities	<u>694,245</u>	<u>11</u>	<u>1,366,224</u>	<u>38</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 19)				
Common stock	<u>1,173,405</u>	<u>19</u>	<u>813,405</u>	<u>23</u>
Capital surplus	<u>2,977,555</u>	<u>48</u>	<u>344,555</u>	<u>10</u>
Retained earnings				
Legal reserve	145,127	2	79,848	2
Special reserve	25,722	1	51,961	2
Unappropriated earnings	<u>1,314,457</u>	<u>21</u>	<u>941,713</u>	<u>26</u>
Total retained earnings	<u>1,485,306</u>	<u>24</u>	<u>1,073,522</u>	<u>30</u>
Other equity interests	(156,857)	(2)	(25,722)	(1)
Total equity attributable to owners of the parent	5,479,409	89	2,205,760	62
NON-CONTROLLING INTERESTS				
	(1,041)	-	1,668	-
Total equity	<u>5,478,368</u>	<u>89</u>	<u>2,207,428</u>	<u>62</u>
TOTAL	<u>\$ 6,172,613</u>	<u>100</u>	<u>\$ 3,573,652</u>	<u>100</u>

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

Advanced Power Electronics Co., Ltd. and its subsidiaries

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Note 4)	\$ 3,911,138	100	\$ 4,203,639	100
OPERATING COSTS (Notes 11 and 20)	<u>2,512,961</u>	<u>64</u>	<u>2,953,209</u>	<u>70</u>
GROSS PROFIT FROM OPERATIONS	<u>1,398,177</u>	<u>36</u>	<u>1,250,430</u>	<u>30</u>
OPERATING EXPENSES (Note 20)				
Selling and marketing expenses	101,704	3	99,362	2
General and administrative expenses	224,751	6	202,688	5
Research and development expenses	171,911	4	119,407	3
Expected credit reversal benefit	(<u>81</u>)	-	-	-
Total operating expenses	<u>498,285</u>	<u>13</u>	<u>421,457</u>	<u>10</u>
PROFIT FROM OPERATIONS	<u>899,892</u>	<u>23</u>	<u>828,973</u>	<u>20</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	24,550	1	2,881	-
Other income (Notes 20 and 26)	5,707	-	4,234	-
Other gains and losses, net (Note 20)	169,361	4	(34,908)	(1)
Finance costs (Note 20)	(<u>2,129</u>)	-	(<u>4,936</u>)	-
Total non-operating income and expenses	<u>197,489</u>	<u>5</u>	(<u>32,729</u>)	(1)
PROFIT BEFORE INCOME TAX	1,097,381	28	796,244	19
INCOME TAX EXPENSE (Notes 4 and 21)	<u>200,284</u>	<u>5</u>	<u>144,764</u>	<u>4</u>
NET PROFIT	<u>897,097</u>	<u>23</u>	<u>651,480</u>	<u>15</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(52,733)	(1)	27,208	1
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	<u>2,702</u>	-	(<u>986</u>)	-
Other comprehensive income (loss) (after tax)	(<u>50,031</u>)	(1)	<u>26,222</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 847,066</u>	<u>22</u>	<u>\$ 677,702</u>	<u>16</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the parent	\$ 899,827	23	\$ 652,787	15
Non-controlling interests	(<u>2,730</u>)	-	(<u>1,307</u>)	-
	<u>\$ 897,097</u>	<u>23</u>	<u>\$ 651,480</u>	<u>15</u>

(Continued)

Advanced Power Electronics Co., Ltd. and its subsidiaries

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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

	2022		2021	
	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the parent	\$ 849,775	22	\$ 679,026	16
Non-controlling interests	(<u>2,709</u>)	<u>-</u>	(<u>1,324</u>)	<u>-</u>
	<u>\$ 847,066</u>	<u>22</u>	<u>\$ 677,702</u>	<u>16</u>
EARNINGS PER SHARE (Note 22)				
Basic earnings per share	<u>\$ 8.83</u>		<u>\$ 8.03</u>	
Diluted earnings per share	<u>\$ 8.58</u>		<u>\$ 7.87</u>	

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

Advanced Power Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent												Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Retained Earnings				Foreign Currency Translation Reserve	Other Equity Interests		Unearned Employee Benefits	Total			
			Legal Reserve	Special Reserve	Unappropriated Earnings	Total		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total					
BALANCE, JANUARY 1, 2021	\$ 813,405	\$ 333,480	\$ 60,021	\$ 79,758	\$ 362,296	\$ 502,075	(\$ 6,185)	(\$ 45,776)	\$ -	(\$ 51,961)	\$1,596,999	\$ 2,992	\$1,599,991	
Distribution of 2020 earnings														
Legal reserve	-	-	19,827	-	(19,827)	-	-	-	-	-	-	-	-	
Reversal of special reserve	-	-	-	(27,797)	27,797	-	-	-	-	-	-	-	-	
Cash dividends -NT\$ 1.0 per share	-	-	-	-	(81,340)	(81,340)	-	-	-	-	(81,340)	-	(81,340)	
Unclaimed dividend	-	9	-	-	-	-	-	-	-	-	9	-	9	
Profit (Loss) for the year ended December 31, 2021	-	-	-	-	652,787	652,787	-	-	-	-	652,787	(1,307)	651,480	
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	(969)	27,208	-	26,239	26,239	(17)	26,222	
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	652,787	652,787	(969)	27,208	-	26,239	679,026	(1,324)	677,702	
Compensation cost of employee share options	-	11,066	-	-	-	-	-	-	-	-	11,066	-	11,066	
BALANCE, DECEMBER 31, 2021	813,405	344,555	79,848	51,961	941,713	1,073,522	(7,154)	(18,568)	-	(25,722)	2,205,760	1,668	2,207,428	
Distribution of 2021 earnings														
Legal reserve	-	-	65,279	-	(65,279)	-	-	-	-	-	-	-	-	
Reversal of special reserve	-	-	-	(26,239)	26,239	-	-	-	-	-	-	-	-	
Cash dividends -NT\$ 6.0 per share	-	-	-	-	(488,043)	(488,043)	-	-	-	-	(488,043)	-	(488,043)	
Profit (Loss) for the year ended December 31, 2022	-	-	-	-	899,827	899,827	-	-	-	-	899,827	(2,730)	897,097	
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	-	2,681	(52,733)	-	(50,052)	(50,052)	21	(50,031)	
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	899,827	899,827	2,681	(52,733)	-	(50,052)	849,775	(2,709)	847,066	
Capital increase by cash	350,000	2,536,800	-	-	-	-	-	-	-	-	2,886,800	-	2,886,800	
Issue of common shares under restricted employee shares	10,000	82,300	-	-	-	-	-	-	(92,300)	(92,300)	-	-	-	
Compensation cost of employee share options	-	13,900	-	-	-	-	-	-	-	-	13,900	-	13,900	
Compensation cost of employee restricted shares	-	-	-	-	-	-	-	-	11,217	11,217	11,217	-	11,217	
BALANCE, DECEMBER 31, 2022	\$1,173,405	\$2,977,555	\$ 145,127	\$ 25,722	\$1,314,457	\$1,485,306	(\$ 4,473)	(\$ 71,301)	(\$ 81,083)	(\$ 156,857)	\$5,479,409	(\$ 1,041)	\$5,478,368	

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

Advanced Power Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 1,097,381	\$ 796,244
Adjustments for:		
Depreciation expense	22,508	20,508
Amortization expense	3,712	3,352
Expected credit reversal benefit	(81)	-
Net loss on financial instruments at fair value through profit or loss	3,392	-
Finance costs	2,129	4,936
Interest income	(24,550)	(2,881)
Dividend income	(2,305)	(666)
Compensation costs of employee share options	25,117	11,066
Loss on disposal of property, plant and equipment	-	1,222
Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories	4,079	(77,198)
Unrealized (gain) or loss on foreign currency exchange	(154,097)	28,333
Changes in operating assets and liabilities:		
Notes receivable	20,936	(11,942)
Accounts receivable	366,263	(204,526)
Other receivables	14,659	(4,290)
Inventories	(277,525)	199,536
Other current assets	(48,553)	17,600
Notes payable	(33,475)	(1,661)
Accounts payable	(328,553)	21,709
Other payables	38,990	92,771
Other current liabilities	<u>2,042</u>	<u>(6,198)</u>
Net cash inflows generated from operating activities	732,069	887,915
Interest received	12,870	2,063
Interest paid	(2,759)	(5,432)
Income taxes paid	<u>(189,382)</u>	<u>(40,012)</u>
Net cash generated from operating activities	<u>552,798</u>	<u>844,534</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from acquisition of financial assets at fair value through other comprehensive income	(102,033)	-

(Continued)

Advanced Power Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
Proceeds from acquisition of financial assets at fair value through profit or loss	\$ -	(\$ 27,500)
Proceeds from acquisition of financial assets at amortized cost	(2,554,605)	(387,867)
Proceeds from disposal of financial assets at amortized cost	383,057	208
Acquisition of property, plant and equipment	(40,278)	(94,041)
Decrease (increase) in refundable deposits	(345,858)	100,448
Payments for intangible assets	(4,552)	(2,902)
Decrease (increase) in other non-current assets	56,220	(124,626)
Increase in prepayments for equipment	(722)	-
Other dividend received	<u>2,305</u>	<u>666</u>
Net cash generated from/ (used in) investing activities	(<u>2,606,466</u>)	(<u>535,614</u>)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	-	181,860
Decrease in short-term loans	(270,000)	(191,860)
Increase in long-term loans	-	57,970
Decrease in long-term loans	(144,181)	(12,649)
Repayment of the principal portion of lease liabilities	(2,450)	(619)
Cash dividends paid	(488,043)	(81,340)
Capital increase by cash	<u>2,886,800</u>	<u>-</u>
Net cash generated from / (used in) financing activities	<u>1,982,126</u>	(<u>46,638</u>)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	<u>62,602</u>	(<u>13,944</u>)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(8,940)	248,338
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>693,779</u>	<u>445,441</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 684,839</u>	<u>\$ 693,779</u>

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

(Concluded)

Advanced Power Electronics Co., Ltd. and its subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Advanced Power Electronics Co., Ltd. (“APEC”) was incorporated in Taiwan, the Republic of China (“ROC”) on July 17, 1998. APEC is mainly engaged in the design of electronic elements, integrated circuits, semi-conductors, and the testing service.

APEC’s stock was approved to be traded over the counter by the ROC Taipei Exchange on April 9, 2004 and was listed on the ROC Over-the-Counter (“OTC”) Securities Exchange (known as The Taipei Exchange, TPEx) on April 15, 2004. On December 11, 2009, APEC’s stock was shifted to be listed on the Taiwan Stock Exchange (TWSE).

The Group’s consolidated financial statements are presented in New Taiwan dollars (NTD), which is APEC’s functional currency.

2. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the APEC’s board of directors and were authorized for issue on February 21, 2023.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

- a. 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 ROC Financial Supervisory Commission (“FSC”).

Application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies.

- b. The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC for application starting from 2023.

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except those deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is assessing the possible impact that the application of the above standards and interpretations will not have a significant impact on the Group's financial position and financial performance.

c. New IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC.

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9-Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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 initial application of IFRS 16.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

The accompanying consolidated financial statements have been prepared on the historical

cost basis except for financial instruments that are measured at fair values.

Based on the extent that fair value can be observed, the fair value measurements are grouped into Levels 1 to 3:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the assets or liabilities are not based on observable market data (unobservable inputs).

Classification of Current and Non-current Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within 12 months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of APEC and its controlled entities (the subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the effective dates of acquisitions or to the effective dates of disposals, as appropriate. Financial statements of subsidiaries are adequately adjusted to align their accounting policies with those of the Group. Transactions and balances, and any income and expenses arising from intra-group transactions were eliminated during the preparation of the consolidated financial statements. The comprehensive income from subsidiaries is allocated to APEC and its non-controlling interests, even if the non-controlling interests have a deficit balance.

See Note 15 and Tables 3 and 4 for the detailed information of subsidiaries (including the percentage of ownership and main business).

Foreign Currencies

In preparing the financial statements of each individual group, transactions in currencies other than the entity's functional currency (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 non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, 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 not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the Group (including subsidiaries and associates that use currency different from the currency of the Company) are translated into the presentation currency - the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

Inventories

Inventories consist of raw materials, work-in-process, and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Land has an unlimited useful life and therefore is not depreciated. Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Property, Plant and Equipment, Right-of-use Assets and Intangible Assets (excluding goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

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

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

The Group adopts trade-date accounting to recognize and derecognize financial assets.

1) Measurement category

Financial assets are classified into the following categories: financial assets measured at amortized cost, financial assets at FVTPL, and investments in equity instruments at FVTOCI.

a) Financial assets at FVTPL

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

b) Financial assets measured at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, accounts receivable, other receivables, refundable deposits, etc., are measured at amortized cost, which equal to gross carrying amount determined by the effective interest method less any impairment loss, except for short-term receivables when the recognition of interest is immaterial. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

Cash equivalents include time deposits and repurchase agreements collateralized by bonds with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets at amortized cost (including receivables).

The loss allowances for receivables and contract assets are measured at an amount equal to lifetime ECLs. For other financial assets, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to 12-month ECLs. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to lifetime ECLs.

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

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- a) Internal or external information shows that the debtor is unlikely to pay its creditors.
- b) Failure to meet the obligation associated with liabilities within the credit terms unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes an impairment loss in profit or loss for aforementioned financial instruments and contract assets with a corresponding adjustment to their carrying amount through a loss allowance account.

3) Derecognition of financial assets

The Group derecognizes financial assets only when the contractual rights of the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of investments in equity instruments at FVTOCI, the cumulative gain or loss is directly transferred to retained earnings, and is not reclassified to profit or loss.

b. Financial liabilities

1) Recognition

Financial liabilities other than those held for trading purposes and designated as at

FVTPL are subsequently measured at amortized cost at the end of each reporting period.

2) Derecognition of financial liabilities

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

Revenue Recognition

The Group's revenue is from the sale of semi-conductor products. Due to the fact that as soon as semi-conductor products are delivered to the location designated by a customer or in the beginning of shipment, the customer already is entitled to set and use prices of the products and is mainly responsible for their re-distribution and also undertakes the risk of the products being obsolete. The Group recognizes revenue and accounts receivable at such time point.

Leases

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

a. The Group as lessor

Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Lease payments from operating leases are recognized on a straight-line basis over the terms of the relevant leases.

b. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

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. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the end of the lease term.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Borrowing Costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

b. Retirement benefits

Obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss in the periods during which services are rendered by employees.

Share-based payment arrangements

The fair value at the grant date of the employee share options or employee restricted shares is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus-employee share options or other equity- unearned employee benefits. It is recognized as an expense in full at the grant date if vesting immediately.

When restricted shares for employees are issued, other equity - unearned employee benefits are recognized on the grant date, with a corresponding increase in capital surplus - employee restricted shares.

At the end of each reporting period, the Group revises its estimate of the number of employee share options or restricted shares for employees expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to capital surplus - employee share options or capital surplus - employee restricted shares.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined in accordance with the applicable tax laws of each tax jurisdiction.

An additional surtax on undistributed earnings, computed in accordance with the Income Tax Act of the ROC, is recognized in current taxes in the year of approval by a stockholders' meeting resolution.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carryforwards that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 is 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.

c. 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 UNCERTAINTY

In the application of the Group's accounting policies, the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Group has considered the economic implications of COVID-19 on critical accounting estimates such as cash flow estimation, growth rate, discount rate, and profitability. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand and revolving funds	\$ 132	\$ 92
Bank check and demand deposit	240,400	332,740
Cash equivalents (investments with the original expiration date within 3 months)		
Bank time deposit	162,763	-
Repurchase agreements collateralized by bonds	281,544	360,947
	<u>\$ 684,839</u>	<u>\$ 693,779</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
Non-current		
Domestic listed stocks (emerging stock market)	\$ 24,108	\$ -
Domestic unlisted stocks	-	27,500
	<u>\$ 24,108</u>	<u>\$ 27,500</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments at FVTOCI

	December 31	
	2022	2021
<u>Non-current</u>		
Domestic listed stocks	\$ 58,478	\$ -
Domestic unlisted stocks- private placement	26,313	55,937
Domestic listed stocks (emerging stock market)	30,369	-
Domestic unlisted stocks	8,348	15,304
Foreign unlisted stocks	16,961	17,962
	<u>\$ 140,469</u>	<u>\$ 89,203</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believed that recognizing short-term fluctuations from these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	December 31	
	2022	2021
Current		
Investments with the original expiration date over 3 months		
Bank time deposit	\$2,596,010	\$ 17,145
Repurchase agreements collateralized by bonds	-	27,680
	<u>\$2,596,010</u>	<u>\$ 44,825</u>
Non-current		
Pledged deposit certificate	<u>\$ 2,000</u>	<u>\$ 345,121</u>

Financial assets measured at amortized cost pledged as collateral are set out in Notes 14 and 27.

10. ACCOUNTS, NOTES, DOUBTFUL AND OTHER RECEIVABLE, NET

	December 31	
	2022	2021
<u>Notes receivable</u>		
From operating	\$ 9,743	\$ 30,679
Less: Allowance for impairment loss	(<u>127</u>)	(<u>127</u>)
	<u>\$ 9,616</u>	<u>\$ 30,552</u>
<u>Accounts receivable</u>		
At amortized cost	\$ 713,061	\$ 988,628
Less: Allowance for impairment loss	(<u>7,528</u>)	(<u>7,482</u>)
	<u>\$ 705,533</u>	<u>\$ 981,146</u>
<u>Doubtful receivable</u>		
At amortized cost	\$ 1,327	\$ 1,434
Less: Allowance for impairment loss	(<u>1,327</u>)	(<u>1,434</u>)
	<u>\$ -</u>	<u>\$ -</u>
<u>Other receivable</u>		
Tax refund receivable	\$ 25,551	\$ 34,217
Earned revenue receivable	12,620	940
Others	<u>5,170</u>	<u>11,163</u>
	<u>\$ 43,341</u>	<u>\$ 46,320</u>

a. Accounts receivable

The main credit terms range from 60 to 150 days from the invoice date from the end of the month when the invoice is issued; no interest is calculated for accounts receivable.

Before accepting new customers, the Group evaluates the prospective customers' credit quality through an external credit rating system and set the credit limit for a specific customer.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (ECLs). The ECLs on trade receivables are estimated using a provision matrix with reference to past default experiences of the customers and an analysis

of the customers' current financial positions, as well as forward-looking indicators such as the industrial economic conditions. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision matrix does not distinguish customer segments. As a result, the expected credit loss rate is based on the number of past due days of trade receivables.

The Group writes off a trade receivable when there are evidences indicating that the counterparty is in severe financial difficulty and the trade receivable is considered uncollectible. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

Movements of allowance for accounts receivable by individual and collective assessment were as follows:

December 31, 2022

	Not Past Due	Overdue			Total
		1 to 90 days	91 to 180 days	Over 180 days	
Gross carrying amount	\$ 703,893	\$ 2,253	\$ 5,649	\$ 1,266	\$ 713,061
Loss allowance (Lifetime ECL)	-	(613)	(5,649)	(1,266)	(7,528)
Amortized cost	<u>\$ 703,893</u>	<u>\$ 1,640</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 705,533</u>

December 31, 2021

	Not Past Due	Overdue			Total
		1 to 90 days	91 to 180 days	Over 180 days	
Gross carrying amount	\$ 978,746	\$ 8,492	\$ 24	\$ 1,366	\$ 988,628
Loss allowance (Lifetime ECL)	-	(6,131)	(24)	(1,327)	(7,482)
Amortized cost	<u>\$ 978,746</u>	<u>\$ 2,361</u>	<u>\$ -</u>	<u>\$ 39</u>	<u>\$ 981,146</u>

Movements of allowance for accounts receivable were as follows:

	For the Year Ended December 31	
	2022	2021
Beginning balance	\$ 7,482	\$ 7,492
Less: Impairment losses reversed	(81)	-
Reclassification	107	-
Effect of exchange rate changes	<u>20</u>	<u>(10)</u>
Ending balance	<u>\$ 7,528</u>	<u>\$ 7,482</u>

b. Doubtful receivable

The Group evaluates whether or not there is objective impairment evidence for major financial assets that are overdue on the balance sheet date, taking into consideration unfavorable changes that have occurred in the payment status of the counterparty and the increase in the number of overdue payments, among other signs, and classify them as doubtful receivables and allowance for doubtful receivables is appropriated in a full amount.

Movements of allowance for doubtful receivable were as follows:

	For the Year Ended December 31	
	2022	2021
Beginning balance	\$ 1,434	\$ 1,434
Reclassification	(107)	-
Ending balance	<u>\$ 1,327</u>	<u>\$ 1,434</u>

11. INVENTORIES

	December 31	
	2022	2021
Raw materials	\$ 62,985	\$ 85,701
Work in process	496,209	353,094
Finished goods	<u>313,432</u>	<u>160,385</u>
	<u>\$ 872,626</u>	<u>\$ 599,180</u>

The composition of inventory-related expenses and losses recognized as cost of goods sold by the Group were as follows:

	For the Year Ended December 31	
	2022	2021
Cost of goods sold	\$ 2,508,882	\$ 3,030,407
Write-down (gain on reversal) of inventories	<u>4,079</u>	<u>(77,198)</u>
	<u>\$ 2,512,961</u>	<u>\$ 2,953,209</u>

The reversal of inventory loss due to sold of part of the written-down inventory.

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Computer Communication Equipment	Office Equipment	Lease Improvement	Other Equipment	Total
Cost								
Balance, January 1, 2021	\$ 110,906	\$ 261,089	\$ 93,874	\$ 11,963	\$ 10,872	\$ 3,313	\$ 181,576	\$ 673,593
Additions	28,789	42,585	3,785	611	13,342	-	4,346	93,458
Disposals and retirements	-	-	(2,765)	(16)	(284)	(3,213)	(45)	(6,323)
Reclassification from pre-payment for equipment	-	-	-	-	2,548	-	972	3,520
Effect of exchange rate changes	-	-	-	(2)	(1)	(1)	(79)	(83)
Balance, December 31, 2021	<u>\$ 139,695</u>	<u>\$ 303,674</u>	<u>\$ 94,894</u>	<u>\$ 12,556</u>	<u>\$ 26,477</u>	<u>\$ 99</u>	<u>\$ 186,770</u>	<u>\$ 764,165</u>
Accumulated depreciation and impairment								
Balance, January 1, 2021	\$ -	\$ 36,620	\$ 81,083	\$ 10,838	\$ 10,611	\$ 2,586	\$ 172,855	\$ 314,593
Depreciation	-	5,776	3,311	622	1,891	14	8,227	19,841
Disposals and retirements	-	-	(2,331)	(16)	(209)	(2,500)	(45)	(5,101)
Effect of exchange rate changes	-	-	-	(2)	(1)	(1)	(73)	(77)
Balance, December 31, 2021	<u>\$ -</u>	<u>\$ 42,396</u>	<u>\$ 82,063</u>	<u>\$ 11,442</u>	<u>\$ 12,292</u>	<u>\$ 99</u>	<u>\$ 180,964</u>	<u>\$ 329,256</u>
Carrying amount, December 31, 2021	<u>\$ 139,695</u>	<u>\$ 261,278</u>	<u>\$ 12,831</u>	<u>\$ 1,114</u>	<u>\$ 14,185</u>	<u>\$ -</u>	<u>\$ 5,806</u>	<u>\$ 434,909</u>
Cost								
Balance, January 1, 2022	\$ 139,695	\$ 303,674	\$ 94,894	\$ 12,556	\$ 26,477	\$ 99	\$ 186,770	\$ 764,165
Additions	1,730	3,505	4,531	670	24,592	-	8,426	43,454
Disposals and retirements	-	-	(8,588)	(5,478)	(10,496)	-	(17,102)	(41,664)
Effect of exchange rate changes	-	-	3	3	1	1	153	161
Balance, December 31, 2022	<u>\$ 141,425</u>	<u>\$ 307,179</u>	<u>\$ 90,840</u>	<u>\$ 7,751</u>	<u>\$ 40,574</u>	<u>\$ 100</u>	<u>\$ 178,247</u>	<u>\$ 766,116</u>
Accumulated depreciation and impairment								
Balance, January 1, 2022	\$ -	\$ 42,396	\$ 82,063	\$ 11,442	\$ 12,292	\$ 99	\$ 180,964	\$ 329,256
Depreciation	-	6,140	3,339	633	3,321	-	6,678	20,111
Disposals and retirements	-	-	(8,588)	(5,478)	(10,496)	-	(17,102)	(41,664)
Effect of exchange rate changes	-	-	-	3	1	1	153	158
Balance, December 31, 2022	<u>\$ -</u>	<u>\$ 48,536</u>	<u>\$ 76,814</u>	<u>\$ 6,600</u>	<u>\$ 5,118</u>	<u>\$ 100</u>	<u>\$ 170,693</u>	<u>\$ 307,861</u>
Carrying amount, December 31, 2022	<u>\$ 141,425</u>	<u>\$ 258,643</u>	<u>\$ 14,026</u>	<u>\$ 1,151</u>	<u>\$ 35,456</u>	<u>\$ -</u>	<u>\$ 7,554</u>	<u>\$ 458,255</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	50 years
Mechanical and electrical equipment	15 years
Machinery and Equipment	6 years
Computer Communication Equipment	3-7 years
Office Equipment	1-5 years
Lease Improvement	5 years
Other Equipment	1-5 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 27.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
Carrying amounts		
Transportation equipment	<u>\$ 7,196</u>	<u>\$ 1,861</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 7,732</u>	<u>\$ 1,914</u>
Depreciation of right-of-use assets		
Transportation equipment	<u>\$ 2,397</u>	<u>\$ 667</u>

b. Lease liabilities

	December 31	
	2022	2021
Carrying amounts		
Current	<u>\$ 3,244</u>	<u>\$ 687</u>
Non-current	<u>\$ 3,954</u>	<u>\$ 1,229</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2022	2021
Transportation equipment	0.92%~1.03%	0.92%~1.19%

c. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses related to short-term leases	<u>\$ 2,285</u>	<u>\$ 2,520</u>
Expenses related to low-value asset leases	<u>\$ 100</u>	<u>\$ 118</u>
Total cash outflow for leases	<u>\$ 4,894</u>	<u>\$ 3,262</u>

The Group leases certain parking space and office equipment which qualify as short-term leases and low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and leases liabilities for these leases.

14. OTHER ASSETS

	December 31	
	2022	2021
Non-current		
Refundable deposits	\$ 358,050	\$ 1,761
Long-term pre-payment for purchase	180,764	236,984
Pre-payment for equipment	<u>722</u>	<u>-</u>
	<u>\$ 539,536</u>	<u>\$ 238,745</u>

The Group signed capacity guarantee contracts with suppliers, and prepaid long-term payment to ensure stable capacity. To retain the capacity, the Group also provided a US dollar pledged deposit certificate as capacity guarantee. Subsequently, the agreement was amended in January 2022, and the capacity guarantee was changed to US\$ 11,520 thousand deposit and will be refunded in accordance with the contract. Please refer to Notes 9 and 27.

15. SUBSIDIARY

a. The subsidiaries included in the consolidated financial statement:

The subsidiaries included in the consolidated financial statements were as follows:

Investor	Subsidiary	Main Business and Products	Percentage of Ownership		Remark
			December 31, 2022	December 31, 2021	
APEC	Future Technology Consulting (B.V.I.), Inc. (Future)	Investment	100%	100%	
APEC	Perfect Prime Limited (Perfect)	Investment	100%	100%	
APEC	Green Power Semiconductor Co., Ltd. (GPS)	Trading	87.96%	87.96%	Note 1
APEC	Fuhong Investment Co., Ltd. (Fuhong)	Investment	100%	100%	Note 2
Perfect	Shenzhen Fucheng Electronics Co., Ltd. (Fucheng)	Trading	100%	100%	
GPS	OPC Microelectronics Co., Ltd. (OPC)	Manufacturing	100%	100%	

Note 1: GPS reduced its capital in July 2021 and July 2022 to make up for its deficits. The capital reduction ratio was 50%.

Note 2: The subsidiary was established in July 2021.

b. The subsidiaries not included in the consolidated financial statement: None.

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
Unsecured loans		
— bank loans	<u>\$ -</u>	<u>\$ 270,000</u>

As of December 31, 2021, the annual interest rate of bank revolving loans was 0.90% to 0.93%.

b. Long-term borrowings

	December 31	
	2022	2021
<u>Secured loans (Note 27)</u>		
— Mortgaged loans	\$ -	\$ 144,181
Less: Current portion	-	(15,456)
	<u>\$ -</u>	<u>\$ 128,725</u>

For Land and Buildings that have been pledged as collateral under the mortgaged loans. The mortgaged loans were due in December 2030 and June 2031. The Group repay ahead of schedule full loan in August and October 2022, respectively. As of December 31, 2021, the annual interest rate of mortgaged loans was 0.99% to 1%.

17. OTHER PAYABLES

	December 31	
	2022	2021
Payable for remunerations of employees and directors	\$ 172,695	\$ 124,473
Payable for salaries and rewards	37,737	34,209
Payables on equipment	5,383	2,207
Payable for professional fee	1,310	1,251
Dividend payable	831	831
Others	28,025	40,750
	<u>\$ 245,981</u>	<u>\$ 203,721</u>

18. RETIREMENT BENEFIT PLANS

Defined contribution plans

APEC of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed and defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

19. EQUITY

a. Common stock

	December 31	
	2022	2021
Number of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>117,341</u>	<u>81,341</u>
Shares issued	<u>\$ 1,173,405</u>	<u>\$ 813,405</u>

A holder of issued common shares with par value of NT\$10 per share is entitled to vote and to receive dividends.

For long-term strategic development and competitiveness enhancement, with the total number of issued common shares to be no more than 35 million shares which have been

resolved in the shareholders' meeting on April 13, 2022 and to authorize the board of directors to issue common shares for capital injection in cash through private placement within one year from the resolution date of the shareholders' meeting. The board of directors of the Company passed a resolution to select the specific parties on May 20, 2022, and on May 31, 2022 as the record date for capital increase. The Company issued 35 million shares at a price of NT\$ 82.48 per share, and raised a total of funds NT\$ 2,886,800 thousand, and the capital registration was completed on June 14, 2022.

On April 13, 2022, the shareholders' meeting approved to issue 1,000,000 shares of restricted shares for employees with a par value of NT\$ 10 per share and grants made free of charge. Upon the completion of the registration of this issuance with the FSC on May 20, 2022, the Company issued restricted shares for employees on October 13, 2022.

b. Capital surplus

	December 31	
	2022	2021
<u>May be used to offset a deficit, distributed as cash Dividends, or transferred to share capital (1)</u>		
Additional paid-in capital	\$ 2,780,784	\$ 243,984
Expired employee share option	68,367	68,367
Treasury stock transactions	12,728	12,728
<u>May be used to offset a deficit only</u>		
Unclaimed dividend	9	9
<u>May not be used for any purpose</u>		
Employee share option	25,758	11,858
Employee restricted shares	82,300	-
Change in percentage of ownership interest in subsidiaries (2)	<u>7,609</u>	<u>7,609</u>
	<u><u>\$ 2,977,555</u></u>	<u><u>\$ 344,555</u></u>

- 1). Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- 2). Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividends policy

In accordance with the policy, APEC's profits earned in a fiscal year shall be first utilized for paying taxes, offsetting losses of previous years, and setting aside as legal reserve 10% of the remaining profit pursuant to laws and regulations, unless the legal reserve has reached APEC's total paid-up capital. The remaining profits shall be set aside for special reserve in accordance with laws and regulations, or business requirements and then any remaining profit together with any undistributed retained earnings shall be used by the APEC's board of directors as the basis for proposing a distribution plan, which should be

resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and after amendment, refer to Note 20(f) on employee benefits expense.

In light of the fact that APEC is in the business growth phase, to go with the demand for capital in the future and the long-term financial planning as well as to fulfill the demand of shareholders for cash flows, APEC appropriates and assigns dividends to shareholders according to the earnings available for distribution in the preceding paragraph. Cash dividends, in particular, may not be below 10% of the overall dividend value. The type and ratio of such earnings to be distributed, however, may depend on the actual profits and capital conditions of the year and be adjusted once decided through the shareholders' meeting.

According to the ROC Company Act, a company shall first set aside its earning for legal reserve until it equals the paid-in capital. The legal reserve may offset losses. After offsetting any deficit, the legal reserve may be transferred to capital and distributed as stock dividends or cash dividends for the amount in excess of 25% of the paid-in capital pursuant to a resolution adopted in the stockholders' meeting.

The appropriations of earnings for 2021 and 2020 which have been resolved in the shareholders' meeting on April 13, 2022 and July 30, 2021, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (\$)</u>	
	2021	2020	2021	2020
Legal capital reserve	\$ 65,279	\$ 19,827		
Special capital reversal	26,239	27,797		
Cash dividends to shareholders	488,043	81,340	\$ 6	\$ 1

The 2022 earnings distribution proposal stipulated on February 21, 2023 by the APEC's Board of Directors was as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (\$)</u>
Legal capital reserve	\$ 89,983	
Special capital reserve	50,052	
Cash dividends to shareholders	586,702	\$ 5

APEC's 2022 earnings appropriations will be proposed by the Board of Directors and approved in the shareholders' meeting on May 18, 2023.

20. NON-OPERATING INCOME AND EXPENSES

a. Other income

	<u>For the Year Ended December 31</u>	
	2022	2021
Dividend income	\$ 2,305	\$ 666
Others	<u>3,402</u>	<u>3,568</u>
	<u>\$ 5,707</u>	<u>\$ 4,234</u>

b. Other gains and losses, net

	<u>For the Year Ended December 31</u>	
	2022	2021
Gain or (loss) on foreign exchange	\$ 173,828	(\$ 24,226)

	For the Year Ended December 31	
	2022	2021
Loss on financial instruments at fair value through profit or loss	(3,392)	-
Loss on disposal of property, plant and equipment, net	-	(1,222)
Others	(1,075)	(9,460)
	<u>\$ 169,361</u>	<u>(\$ 34,908)</u>
c. Finance costs		
	For the Year Ended December 31	
	2022	2021
Bank loans	\$ 2,010	\$ 4,864
Lease liabilities	59	5
Others	60	67
	<u>\$ 2,129</u>	<u>\$ 4,936</u>
d. Depreciation and amortization		
	For the Year Ended December 31	
	2022	2021
Property, plant and equipment	\$ 20,111	\$ 19,841
Right-of-use assets	2,397	667
Intangible assets	3,712	3,352
	<u>\$ 26,220</u>	<u>\$ 23,860</u>
Depreciation expense classified by function		
Operating cost	\$ 9,741	\$ 10,295
Operating expense	12,767	10,213
	<u>\$ 22,508</u>	<u>\$ 20,508</u>
Amortization expense classified by function		
Operating cost	\$ 288	\$ 415
Operating expense	3,424	2,937
	<u>\$ 3,712</u>	<u>\$ 3,352</u>
e. Employee benefits expenses		
	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 365,242	\$ 315,487
Post-employment benefits		
Defined contribution plans (Note 18)	6,786	6,308
Share-based Payment	25,117	11,066
Other employee benefits	4,186	4,063
	<u>\$ 401,331</u>	<u>\$ 336,924</u>
Classified by function		
Operating cost	\$ 39,577	\$ 36,387
Operating expense	361,754	300,537
	<u>\$ 401,331</u>	<u>\$ 336,924</u>

f. Employees' compensation and remuneration of directors

The APEC accrued employees' compensation and remuneration of directors at rates of no less than 8% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2022 and 2021 were approved by the Board of Directors on February 21, 2023 and February 24, 2022, respectively, were as follows:

Estimated ratio

	For the Year Ended December 31	
	2022	2021
Employees' compensation	12%	8%
Remuneration of directors	1.5%	1.5%

Amount

	For the Year Ended December 31	
	2022	2021
	Paid in Cash	Paid in Cash
Employees' compensation	\$ 152,617	\$ 110,643
Remuneration of directors	19,077	13,830

If there is a change in the approved amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in accounting estimate in the next year.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on the employees' compensation and remuneration of directors approved by the Board of Directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

21. INCOME TAX

a. Major components of tax expense recognized in profit or loss

Components of tax expense Income tax were as follows:

	For the Year Ended December 31	
	2022	2021
Current income tax expense		
Current period	\$ 192,449	\$ 134,126
Additional income tax on unappropriated earnings	3,970	2,873
Prior years' adjustment	(370)	(2,278)
	<u>196,049</u>	<u>134,721</u>
Deferred income tax expense		
Current period	<u>4,235</u>	<u>10,043</u>
Income tax expense recognized in profit or loss	<u>\$ 200,284</u>	<u>\$ 144,764</u>

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	For the Year Ended December 31	
	2022	2021
Income before tax	<u>\$1,097,381</u>	<u>\$ 796,244</u>
Income tax expense at the statutory rate	\$ 215,487	\$ 159,510
Nondeductible items in determining taxable income	9,046	1,891
Non-taxable income	(297)	(90)
Realized investment loss	(10,628)	(6,000)
Additional income tax on unappropriated earnings	3,970	2,873
Loss carryforwards	23	-
Investment tax credits	(16,947)	(10,790)
Others	-	(352)
Prior years' other adjustments	(370)	(2,278)
Income tax expense recognized in profit or loss	<u>\$ 200,284</u>	<u>\$ 144,764</u>

b. Deferred tax assets and liabilities

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

For the Year Ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Loss on decline in market value and obsolete and slow-moving inventories	\$ 11,881	\$ 816	\$ 12,697
Losses on investments recognized adopting the equity method	19,627	(76)	19,551
Unrealized exchange losses	1,375	(1,375)	-
Loss on financial assets	<u>1,160</u>	<u>(209)</u>	<u>951</u>
	<u>\$ 34,043</u>	<u>(\$ 844)</u>	<u>\$ 33,199</u>
	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax liabilities</u>			
Unrealized exchange gains	<u>\$ -</u>	<u>\$ 3,391</u>	<u>\$ 3,391</u>

For the Year Ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Loss on decline in market value and obsolete and slow-moving inventories	\$ 23,944	(\$ 12,063)	\$ 11,881
Losses on investments recognized adopting the equity method	17,579	2,048	19,627

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Unrealized exchange losses	1,403	(28)	1,375
Loss on financial assets	<u>1,160</u>	<u>-</u>	<u>1,160</u>
	<u>\$ 44,086</u>	<u>(\$ 10,043)</u>	<u>\$ 34,043</u>

c. Unrecognized deferred tax assets items

	December 31	
	2022	2021
Loss carryforwards	<u>\$ 58,294</u>	<u>\$ 58,007</u>

d. Unrecognized Loss carryforwards

As of December 31, 2022, the information of the prior years' loss carryforwards was as follows:

Amount	Expiry Years
\$ 9,445	2026
17,586	2027
11,775	2028
15,053	2029
4,319	2030
116	2032
<u>\$ 58,294</u>	

e. Income tax examination

The latest years for which the income tax returns of the entities in the Group have been examined and cleared by the tax authorities were as follows:

	Year
APEC	2020
Green Power Semiconductor Co., Ltd.	2020

22. EARNINGS PER SHARE

Earnings and weighted average shares of common stock used to calculate earnings per share were as follows:

Net profit for the current year

	For the Year Ended December 31	
	2022	2021
Basic EPS and Diluted EPS		
Profit attributable to owners of the parent	<u>\$ 899,827</u>	<u>\$ 652,787</u>

Common Shares Outstanding (in thousands)

	For the Year Ended December 31	
	2022	2021
Basic EPS		
Profit attributable to owners of the parent	101,957	81,341
Effect of potential dilutive common shares:		
Employees' compensation	1,623	1,045
Employee share option	1,205	547
Employee restricted shares	<u>47</u>	<u>-</u>
Diluted EPS		
Profit attributable to owners of the parent	<u>104,832</u>	<u>82,933</u>

Since the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. SHARE-BASED COMPENSATION EXPENSES

a. Employee share option plan of the Company

The qualified employees of the Group were granted 2,000 options in March 2022 and May 2018, respectively. Each option entitles the holder to subscribe for 1,000 common shares of the Company's. The outstanding options are valid for 6 years and exercisable at 40%, 30% and 30% after two, three and four anniversaries from the grant date. The exercise price was based on the closing price at the grant date. After the option is issued, in case of variation to the common shares of the Company's, the exercise price will be adjusted according to the specified formula.

Information about employee share options was as follows:

	For the Year Ended December 31			
	2022		2021	
	No. of shares (In thousands)	Weighted- average exercise price	No. of shares (In thousands)	Weighted- average exercise price
Balance, beginning of Period	2,065	\$ 46.55	235	\$ 26.40
Options granted	-	-	2,000	47.21
Options expired upon resignation	-	-	(170)	26.40
Balance, end of period	<u>2,065</u>	39.05	<u>2,065</u>	46.55
Options exercisable, end of period	<u>65</u>		<u>46</u>	
Fair value per unit (\$)	<u>\$ -</u>		<u>\$ 18.63</u>	

Information about outstanding options was as follows:

	December 31	
	2022	2021
Range of exercise price (\$)	\$22.10~\$39.60	\$26.40~\$47.21
Weighted-average remaining contractual life (years)	1.36~4.19	2.36~5.19

Compensation cost recognized was \$13,900 thousand and \$11,066 thousand for the years ended December 31, 2022 and 2021, respectively.

b. Restricted shares for employees of the Company

In the shareholders' meeting on April 13, 2022, the shareholders' meeting approved to issue 1,000,000 shares of restricted shares for employees with a par value of NT\$ 10 per share and grants made free of charge. The board of directors of the Company authorized the chairman issued restricted shares for employees on October 13, 2022.

An employee's continuous employment with the Company through the vesting dates; no breach by the employee of any terms of any agreement with the Company to which the

employee is subject, including, without limitation, the employee's employment terms and conditions or any other employment-related agreement, any non-competition or confidentiality agreements; no violation by the employee of employee handbook; and, the achievement by the employee of the employee's individual performance goals, and the Company's achievement of operational objectives during the applicable Performance Period. The maximum percentage of granted Restricted shares that may be vested each year shall be as follows: one-year anniversary of the grant: 30%; two-year anniversary of the grant: 30%; and three-year anniversary of the grant.

- 1). Except for inheritance, employees are prohibited from and shall not sell, pledge, transfer, give to another person, create any encumbrance on, or in any other way dispose of any unvested Restricted shares.
- 2). Rights to attend the Company's shareholder's meeting, submit proposals, or speak and vote at the meeting attributed to ownership of stock with respect to any unvested Restricted shares will be the same as those of the common shares of the Company but shall be subject to and performed in accordance with the trust agreement.
- 3). Rights to dividends, interest, capital reserve, and share subscription warrants attributed to ownership of stock with respect to any unvested Restricted shares will be the same as those of the common shares of the Company and shall be subject to and performed in accordance with the trust agreement.

If an employee fails to meet the vesting conditions, the Company will recall and cancel the restricted shares without any reimbursement.

Compensation cost recognized was \$11,217 thousand for the years ended December 31, 2022. As of December 31, 2022, the Company had recognized \$81,083 thousand as unearned employee compensation, which were recorded under other equity.

24. CAPITAL MANAGEMENT

The Group manages capital to ensure that under the premise of continuous operation, by optimizing the balance of debts and equities so that rewards for shareholders may be maximized. In other words, the Group manages its capital for the sake of ensuring that necessary financial resources and operational plans are available to support required operating funds, capital expenditure, costs of research and development, pay-off of debts, and expenditure on dividends, among others, in the 12 months that follow.

The Group's capital structure consists of the Group's equities (that is, capital stock, capital reserve, retained earnings, and other equity items) belonging to the Group.

The Group does not need to follow other external capital requirements.

25. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments — Financial instruments not at fair value

The management of the Group believes that the book value of financial assets and liabilities not at fair value does not show significant differences from the fair value.

- b. Fair value of financial instruments — Fair value of financial instruments that are measured at fair value on a recurring basis.

1). Levels of fair value

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
— Domestic listed stocks (emerging stock market)	\$ 24,108	\$ -	\$ -	\$ 24,108
<u>Financial assets at FVTOCI</u>				
Equity instruments				
— Domestic listed stocks	\$ 58,478	\$ 26,313	\$ -	\$ 84,791
— Domestic listed stocks (emerging stock market)	30,369	-	-	30,369
— Foreign / Domestic unlisted stocks	-	-	25,309	25,309
total	\$ 88,847	\$ 26,313	\$ 25,309	\$ 140,469

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
— Domestic unlisted stocks	\$ -	\$ -	\$ 27,500	\$ 27,500
<u>Financial assets at FVTOCI</u>				
Equity instruments				
— Domestic listed stocks	\$ -	\$ 55,937	\$ -	\$ 55,937
— Foreign / Domestic unlisted stocks	-	-	33,266	33,266
total	\$ -	\$ 55,937	\$ 33,266	\$ 89,203

There was no transfer between the fair value measurements of Levels 1 and 2 for the years ended December 31, 2022 and 2021.

2). Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Type of financial instrument</u>	<u>Valuation technique and input value</u>
Domestic listed stocks -private placement	Fair value of financial assets evaluated according to the observable share price at end of term and taking into consideration data of absence of liquidity discounts.

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

The significant and unobservable input parameter for assessing the unlisted stocks held by the Group mainly relates to liquidity discount rate. The evaluation of fair value of unlisted stocks is mainly referenced to the same type of companies or the listed companies through the market approach. As of December 31, 2022, and 2021, the liquidity discount rate was 17.48% and 22.48%, respectively.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 24,108	\$ 27,500
Financial assets measured at amortized cost (Note1)	4,399,389	2,143,504

	December 31	
	2022	2021
Financial assets at FVTOCI -Equity instruments	140,469	89,203
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost (Note 2)	550,431	1,239,784

Note1: The balances comprise cash and cash equivalents, bank time deposits, notes and accounts receivable, other receivables and refundable deposits.

Note2: The balances comprise short-term borrowings, notes and accounts payable, other payables, long-term borrowings and guarantee deposits.

d. Purpose and policy of financial risk management

Major financial instruments of the Group include equity and debt investments, cash and cash equivalents, accounts receivable and accounts payable. The Finance Department of the Group provides services to respective operating units and centrally coordinates operations for entering domestic and international financial markets. Such risks include market risk (exchange rate risk and interest rate risk), credit risk, and liquidity risk.

f. Financial risk management

1). Market risk

The Group is exposed to the financial market risks, primarily changes in foreign currency exchange rates and interest rates.

a). Foreign currency risk

Most of the Group's revenues and expenditures are denominated in foreign currencies. Consequently, the Group is exposed to foreign currency risk.

For the book value of monetary assets and liabilities in non-functional currencies at the end of the reporting period (including monetary items valued in non-functional currencies already eliminated upon consolidation), refer to Note 28.

Sensitivity analysis

The Group is impacted mainly by the fluctuating US and RMB exchange rates.

The sensitivity analysis takes place when the exchange rate of NT dollar (functional currency) versus each of relevant foreign currencies increases or reduces by 5%. The 5% is the sensitivity ratio adopted by the Group internally in the report of the exchange rate risk to the primary management and also represents the reasonable and possible range of changes in the assessment of foreign currency exchange rates performed by the management. The sensitivity analysis only includes the monetary items of circulating foreign currencies and the conversion at the end of the year is adjusted by 5% of variation in the exchange rate. Sensitivity analysis associated with the foreign currency exchange rate risk mainly covers monetary items in foreign currencies at the end of the reporting period. When 5% of appreciation/depreciation in NT dollar versus each of the currencies, the net profits would have decreased/increased by \$80,108 thousand and \$69,706 thousand for the years ended December 31, 2022 and 2021, respectively.

b). Interest rate risk

The book value of financial assets and liabilities exposed to the interest rate risk

at the end of the reporting period were as follows:

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	\$2,681,117	\$ 750,893
Financial liabilities	7,198	271,916
Cash flow interest rate risk		
Financial assets	601,584	332,691
Financial liabilities	-	144,181

Sensitivity analysis

The following sensitivity analysis is determined by the exposure to the interest rate risk of non-derivative instruments at the end of the reporting period. The rate of change adopted when the interest rate is reported inside the Group to the primary management is based on an increase or a decrease by 50 basis points in interest rate. This also represents the evaluation by the management of the reasonable and possible range of changes in the interest rate.

If the interest rate had increased/decreased by 50 basis points (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), the net profits would have increased/decreased by \$3,008 thousand and \$943 thousand for the years ended December 31, 2022 and 2021, respectively, which was mainly attributable to the Group's exposure to interest rate changes on its variable-rate bank deposits and bank loans.

2). Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As of the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation approximates the carrying amount of the respective recognized.

The policy adopted by the Group is to only engage in transactions with parties with outstanding credit ratings and whenever necessary, sufficient collaterals are secured in order to minimize risks associated with financial losses as a result of delinquency. The Group only engages itself in transactions with enterprises with a rating equivalent to an investment grade and above. Such information is to be provided by an independent rating institution. If such information is not available, the Group will use other publicly available financial information and mutual transaction records to rate primary customers. The Group constantly monitors exposure to credit risk and the credit ratings of counterparties and decentralize the total transaction value among respective qualified customers according to their credit rating and controls the exposure to credit risk according to the counterparty credit limits reviewed and approved by the corporate management on a yearly basis.

The Group has an enormous base of customers that is not inter-related and hence credit risk is not highly concentrated. The Group is not associated with major

exposure to the credit risk versus any single counterparty or any group of counterparties with similar properties. When counterparties are affiliated with one another, the Group defines them as counterparties with similar properties.

3). Liquidity risk

The Group manages and maintains sufficient level of cash and cash equivalents ensure the requirements of paying estimated operating expenditures and reduce the impacts brought about by fluctuations in cash flows. The Group also monitors its bank credit facilities to ensure that the Group fully complies with the provisions and financial covenants of loan contracts.

a). Liquidity and interest risk rate table

The following table shows the remaining contractual maturity analysis of the Group's financial liabilities with agreed-upon repayment periods, which are based on the date the Group may be required to pay the first repayment and financial liabilities.

December 31, 2022

	Contractual Cash Flows or within a year	1-5 Years	More Than 5 Years
<u>Non-derivative financial liabilities</u>			
Notes payable	\$ 3,853	\$ -	-
Accounts payable	300,597	-	-
Other payables	245,981	-	-
Lease liabilities	3,298	3,977	-
	<u>\$ 553,729</u>	<u>\$ 3,977</u>	<u>\$ -</u>

December 31, 2021

	Contractual Cash Flows or within a year	1-5 Years	More Than 5 Years
<u>Non-derivative financial liabilities</u>			
Short-term borrowings	\$ 270,611	\$ -	\$ -
Long-term borrowings	15,860	63,440	78,145
Notes payable	37,328	-	-
Accounts payable	584,554	-	-
Other payables	203,721	-	-
Lease liabilities	701	1,240	-
	<u>\$ 1,112,775</u>	<u>\$ 64,680</u>	<u>\$ 78,145</u>

b). Financing facilities

	December 31	
	2022	2021
Unsecured loans (Renew by every year)		
— Used amount	\$ -	\$ 270,000
— Unused amount	800,000	470,000
	<u>\$ 800,000</u>	<u>\$ 740,000</u>

	December 31	
	2022	2021
Secured loans		
— Used amount	\$ -	\$ 156,830
— Unused amount	<u>180,000</u>	<u>181,140</u>
	<u>\$ 180,000</u>	<u>\$ 337,970</u>

26. RELATED PARTY TRANSACTIONS

Intercompany balances and transactions between APEC and its subsidiaries, which are related parties of APEC, have been eliminated upon consolidation; therefore those items are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related party name and nature of relationship

Related Party	Nature of Relationship
XSemi Corporation	Investors with significant influence
Hon Young Semiconductor Co., Ltd.	Substantive related party

b. Receivables due from related parties (financing to related parties not included)

Account	Related Party Categories	December 31	
		2022	2021
Other receivable	Investors with significant influence	<u>\$ 48</u>	<u>\$ -</u>

c. Others

Account	Related Party Categories	For the Year Ended December 31	
		2022	2021
Other income	Investors with significant influence	<u>\$ 212</u>	<u>\$ -</u>

d. Compensation of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 111,160	\$ 75,711
Post-employment benefits	<u>540</u>	<u>540</u>
	<u>\$ 111,700</u>	<u>\$ 76,251</u>

The compensation to directors and other key management personnel were determined by the Compensation Committee of APEC in accordance with the individual performance and the market trends.

27. PLEDGED ASSETS

The following assets are provided to be the collaterals for bank borrowings, guarantee for capacity and customs declaration:

	December 31	
	2022	2021
Pledged deposit certificate (Financial assets measured at amortized cost-Non-current)	\$ 2,000	\$ 345,121
Land	61,590	139,695
Buildings	<u>187,521</u>	<u>261,278</u>
	<u>\$251,111</u>	<u>\$ 746,094</u>

28. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The following information was summarized according to the foreign currencies other than the functional currency of the Group. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2022

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 59,710	30.710(USD:NTD)	\$ 1,833,694
RMB	12,990	4.408(RMB:NTD)	57,260
USD	90	6.967(USD:RMB)	<u>2,764</u>
			<u>\$ 1,893,718</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	\$ 8,866	30.710(USD:NTD)	\$ 272,275
USD	628	6.967(USD:RMB)	<u>19,286</u>
			<u>\$ 291,561</u>

December 31, 2021

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 67,515	27.680(USD:NTD)	\$ 1,868,815
RMB	6,425	4.344(RMB:NTD)	<u>27,910</u>
			<u>\$ 1,896,725</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	17,280	27.680(USD:NTD)	\$ 478,310
USD	878	6.372(USD:RMB)	<u>24,303</u>
			<u>\$ 502,613</u>

Net foreign exchange gains (losses) by each significant foreign currency were as follows:

For the Year Ended December 31				
		2022		2021
Foreign		Net exchange		Net exchange
Currency	Exchange rate	profits or	Exchange rate	profits or
		losses		losses
USD	29.805 (USD:NTD)	\$ 173,440	29.549 (USD:NTD)	(\$ 24,489)
RMB	4.422 (RMB:NTD)	<u>317</u>	4.282 (RMB:NTD)	<u>221</u>
		<u>\$173,757</u>		<u>(\$ 24,268)</u>

29. ADDITIONAL DISCLOSURES

- a. Information on significant transactions:
 - 1) Financing extended to other parties: None.
 - 2) Endorsements/guarantees provided to other parties: None.
 - 3) Marketable securities held: Table 1 (attached) (excluding investments in subsidiaries and associates).
 - 4) Marketable securities acquired and disposed of at costs or prices of at least \$300 million or 20% of the paid-in capital: None.
 - 5) Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital: None.
 - 6) Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital: None.
 - 7) Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: None.
 - 8) Receivables from related parties of at least NT\$100 million or 20% of the paid-in capital: None.
 - 9) Trading in derivative instruments: None.
 - 10) Others: Business relationships between the parent and the subsidiaries and significant intercompany transactions: Table 2 (attached).
- b. Information on investees: Table 3 (attached).
- c. Information on investment in Mainland China:
 - 1) The names of investees in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, net income or loss and recognized investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: Table 4 (attached).
 - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Table 5 (attached).
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total

- current period interest with respect to financing of funds.
- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- d. Information of major stockholders, the name, the number of stocks owned, and percentage of ownership of each stockholder with ownership of 5% or greater: Table 6 (attached).

30. SEGMENT INFORMATION

The information provided to primary operation decision makers for distribution of resources and evaluation of segment performance focuses on each type of the products or labor delivered or provided. The Group mainly deals with the design, testing, and trading, among others, of electronic elements, such as integrated circuits and semi-conductors. The primary operation decision makers of the Group look at the Group as a single department as a whole; information about profits or losses, assets, and liabilities is consistent with that shown in the consolidated financial statement. Please refer to the consolidated balance sheet or the consolidated comprehensive income statement for details.

a. Product information

The Group's revenue of major products is the sale of power semi-conductors.

b. Geographical information

The primary operation region of the Consolidated Company is Taiwan.

The Group's net operating revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Net Revenue from External Customers		Noncurrent Assets	
	For the Year Ended December 31		December 31	
	2022	2021	2022	2021
Taiwan	\$ 2,636,756	\$ 2,539,030	\$ 649,715	\$ 675,596
China	1,057,668	1,529,991	100	164
Others	216,714	134,618	-	-
	<u>\$ 3,911,138</u>	<u>\$ 4,203,639</u>	<u>\$ 649,815</u>	<u>\$ 675,760</u>

Non-current assets do not include financial instruments and deferred income tax assets.

c. Information on major customers

Single customers who contributed 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31	
	2022	2021
Customer A	\$ 615,585	\$ 436,208
Customer B	311,957	512,014
	<u>\$ 927,542</u>	<u>\$ 948,222</u>

TABLE 1**Advanced Power Electronics Co., Ltd. and its subsidiaries****MARKETABLE SECURITIES HELD****FOR THE YEAR ENDED DECEMBER 31, 2022****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2022				Note
				Shares/Units Note (In Thousands)	Carrying Value	Percentage of Ownership (%)	Fair Value	
APEC	<u>Stock</u> Advanced Microelectronic Products, Inc.	-	Financial assets at fair value through other comprehensive income –Non-Current	1,427	\$ 26,313	1	\$ 26,313	
	AXElite Co., Ltd.	-	Financial assets at fair value through other comprehensive income –Non-Current	497	8,348	5	8,348	
	Fubon Financials' Class A Preferred Shares	-	Financial assets at fair value through other comprehensive income –Non-Current	496	29,958	-	29,958	
	Fubon Financials' Class B Preferred Shares	-	Financial assets at fair value through other comprehensive income –Non-Current	496	28,520	-	28,520	
Future Technology Consulting (B.V.I.), Inc	<u>Stock</u> Seaward Electronics, Inc. (Cayman)	-	Financial assets at fair value through other comprehensive income –Non-Current	1,733	16,961	13	16,961	
Fuhong Investment Co., Ltd.	<u>Stock</u> Great Giant Fibre Garment Co., Ltd.	-	Financial assets at fair value through profit or loss –Non-Current	261	24,108	-	24,108	
	Micro Silicon Electronics Corp.	-	Financial assets at fair value through other comprehensive income –Non-Current	915	30,369	1	30,369	

Note 1: Securities indicated herein refer to the stocks, bonds, beneficiary certificates and securities derived from the above items within the scope of Financial Reporting Standard 9 "Financial Instruments."

Note 2: For related information on investing in subsidiaries, refer to Table 3 and 4.

TABLE 2**Advanced Power Electronics Co., Ltd. and its subsidiaries****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022**

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Company Name	Counter Party	Nature of Relationship (Note 3)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets (Note 2)
0	APEC	OPC Microelectronics Co., Ltd.	(1)	Net revenue from sale of goods	\$28,557	Note 4	1
				Receivables from related parties	2,306	Note 4	-
				Prepayments	18,388	Note 4	-
1	Future Technology Consulting (B.V.I.), Inc.	Shenzhen Fucheng Electronics Co., Ltd.	(2)	Professional service fees	3,168	Note 4	-
2	OPC Microelectronics Co., Ltd.	Shenzhen Fucheng Electronics Co., Ltd.	(2)	Professional service fees	9,702	Note 4	-

Note 1: This table only shows one-way transaction information. The above transactions have been written off when the consolidated financial statement was prepared.

Note 2: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note3: The transaction relationships with the counterparties are as follows.

(1) The parent company to the consolidated subsidiary.

(2) The consolidated subsidiary to another consolidated subsidiary.

Note 4: Transaction terms are similar to those for ordinary customers.

TABLE 3

Advanced Power Electronics Co., Ltd. and its subsidiaries

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2022
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2022	December 31, 2021	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
APEC	Future Technology Consulting (B.V.I.), Inc.	British Virgin Islands	General investment	\$ 75,937 USD 2,350	\$ 75,937 USD 2,350	2,350	100	\$ 19,433	(\$ 4,397)	(\$ 4,397)	Note 1
	Perfect Prime Limited	Samoa	General investment	14,540 USD 450	14,540 USD 450	450	100	5,028	4,775	4,775	
	Green Power Semiconductor Co., Ltd.	Taiwan	Trading	100,000	100,000	1,715	87.96	(7,606)	(22,677)	(19,947)	
	Fuhong Investment Co., Ltd.	Taiwan	General investment	80,000	30,000	8,000	100	66,572	(2,719)	(2,719)	

Note1: GPS reduced its capital in July 2022 to make up for its deficits. The capital reduction ratio was 50%.

TABLE 4**Advanced Power Electronics Co., Ltd. and its subsidiaries****INVESTMENTS IN MAINLAND CHINA****FOR THE YEAR ENDED DECEMBER 31, 2022****(Amounts in Thousands of New Taiwan Dollars and US Dollars)**

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capita (US\$ in Thousands)	Method of Investment (Note1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (US\$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022 (US\$ in Thousands)	Net Income (Losses) of the Investee Company (US\$ in Thousands)	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022	Note
					Outflow	Inflow							
Shenzhen Fucheng Electronics Co., Ltd.	Electronic parts and components manufacturing, home appliance wholesale, home appliance retail sale, product outlook design, information software service, other designs (electronic element design, integrated circuit design, semi-conductor design), other commercial service (electronic element, integrated circuit, semi-conductor, among other electronics testing service), electronic material wholesale, electronic material retail sale	\$ 13,512 USD 440	(2)A	\$ 13,512 USD 440	\$ -	\$ -	\$ 13,512 USD 440	\$ 4,804 USD 161	100%	\$ 4,804 USD 161	\$ 4,872 USD 159	\$ -	
OPC Microelectronics Co., Ltd.	Integrated circuit, software design, development, and technical service; electronic products, instruments and meters, telecommunication equipment, computer and auxiliary equipment wholesale, commissioning and imports and exports business	63,766	(3)	63,766	-	-	63,766	(22,104)	100%	(22,104)	(14,729)	-	

Accumulated Investment in Mainland China as of December 31, 2022 (US\$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on Investment (Note2)
\$ 77,278	\$ 77,278	\$ 3,287,645

Note 1: The investment types are as follows:

- 1). Direct investment in Mainland China.
- 2). Indirect investment in Mainland China through a subsidiary in a third place.
 - A. Reinvestment through Perfect Prime Limited
- 3). Reinvestment through Green Power Semiconductor Co., Ltd in Taiwan.

Note 2: The upper limit on investment in mainland China is determined by 60% of the Company's net worth or consolidated net worth which one is higher required by the "Review Principles for Investments or Technical Collaborations in Mainland China" of the Investment Board, Ministry of Economic Affairs.

Note 3: The foreign currency assets and profits or losses listed herein are expressed, respectively, in New Taiwan Dollar at an end-of-term and mean exchange rates of US\$ 1=NT\$30.710 and US\$ 1=NT\$29.805 as of December 31, 2022.

TABLE 5

Advanced Power Electronics Co., Ltd. and its subsidiaries

**SIGNIFICANT INTERCOMPANY TRANSACTIONS AND RELATED INFORMATION ON INVESTEES IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022**

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Type of transaction	Purchases (Sales)	Price	Transaction Term		Notes and accounts receivable (payable)		Unrealized profits and losses	Note
		Amount		Payment term	Compared to ordinary transactions	Amount	%		
OPC Microelectronics Co., Ltd.	Sales	(\$ 28,557)	Note1	EOM 60 days	Equivalent to	\$ 2,306	-	\$ -	

Note 1: Transactions between the Company and the related party are done according to the transaction price agreed upon between the parties.

TABLE 6

Advanced Power Electronics Co., Ltd.
INFORMATION OF MAJOR STOCKHOLDERS
DECEMBER 31, 2022

Name of Major Stockholder	Shares	
	Number of Shares	Percentage of Ownership (%)
XSemi Corporation	35,000,000	29.83%

Attachment II

Advanced Power Electronics
Co.,Ltd.

Parent Company Only Financial
Statements for the Years Ended
December 31, 2022 and 2021 and
Independent Auditors' Report

Address: 12F-1 and 12F-2, No. 5, Taiyuan 1st ST., Zhubei
City, Hsinchu County, 30265, Taiwan, R.O.C.
Telephone: 886-3-6215899

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Advanced Power Electronics Co., Ltd.

Opinion

We have audited the accompanying parent company only financial statements of Advanced Power Electronics Co., Ltd. (the "Company") , which comprise the parent company only balance sheets as of December 31, 2022 and 2021, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the accompanying parent company only financial position of the Company as of December 31, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the ROC. 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 for the year ended December 31, 2022. 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.

Key audit matters for the parent company only financial statements for the year ended December 31, 2022 are stated as follows:

Validity of Revenue

The Company's primary source of revenue is generated from design and sales of power semiconductors (Power MOSFETs). Due to the revenue recognition has inherently higher fraud risks and the management may be under pressure to achieve financial goals. Therefore, we identified the validity of the revenue derived from these distributors with significant growth and amount has been identified as a key audit matter.

The main audit procedures that we performed to assess the validity of the revenue are as follows:

1. We understood the designed and tested operating effectiveness of internal control and confirmed the validity of revenue recognition.
2. We sampled the transaction documents related to revenue, including sales order, shipping, customs documents, and verified cash collections which have related to revenue derived from the above-mentioned customers and verified the reasonableness of revenue recognition.

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 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 concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease its operations, or has no realistic alternative but to do so.

Those charged with governance (including 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 Standards on Auditing of the ROC 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 Standards on Auditing of the ROC, 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 and is 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 entities or business activities within the Company 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, 2022 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.

The engagement partners on the audit resulting in this independent auditors' report are Chien-Liang Liu and Wen-Chin Lin.

Deloitte & Touche

Taipei, Taiwan

Republic of China

February 21, 2023

Notice to Readers

The accompanying parent company only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Taiwan, the Republic of China (ROC) and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally applied in the ROC.

For the convenience of readers, the independent auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and parent company only financial statements shall prevail.

Advanced Power Electronics Co., Ltd.

PARENT COMPANY ONLY BALANCE SHEET (In Thousands of New Taiwan Dollars)

	December 31, 2022		December 31, 2021	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and Cash Equivalents (Notes 4 and 6)	\$ 665,501	11	\$ 641,545	18
Financial assets at amortized cost (Notes 4 and 8)	2,582,415	42	35,499	1
Notes receivable (Note 9)	9,616	-	30,552	1
Accounts receivable (Notes 4 and 9)	705,453	11	980,783	27
Accounts receivable due from related parties (Note 25)	2,306	-	13,088	-
Other receivables (Notes 4, 9 and 25)	43,155	1	46,150	1
Inventories (Notes 4 and 10)	872,373	14	598,627	17
Other current assets (Note 25)	70,626	1	20,857	1
Total current assets	<u>4,951,445</u>	<u>80</u>	<u>2,367,101</u>	<u>66</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (Notes 4 and 7)	93,139	2	71,241	2
Financial assets at amortized cost (Notes 4 and 8)	2,000	-	345,121	10
Investments accounted for using equity method (Notes 4 and 11)	91,033	1	66,807	2
Property, plant and equipment (Notes 4 and 12)	458,155	7	434,745	12
Right-of-use assets (Notes 4 and 13)	7,196	-	1,861	-
Other intangible assets, net (Note 4)	2,878	-	2,006	-
Deferred tax assets (Notes 4 and 20)	33,199	1	34,043	1
Other non-current assets (Note 14)	539,129	9	238,386	7
Total non-current assets	<u>1,226,729</u>	<u>20</u>	<u>1,194,210</u>	<u>34</u>
TOTAL	<u>\$ 6,178,174</u>	<u>100</u>	<u>\$ 3,561,311</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$ -	-	\$ 270,000	8
Notes payable	3,853	-	37,328	1
Accounts payable	300,526	5	584,485	16
Other payables (Notes 16 and 25)	244,065	4	193,792	6
Current tax liabilities (Note 4)	122,947	2	116,288	3
Lease liabilities (Notes 4 and 13)	3,244	-	687	-
Long-term borrowings - current portion (Note 15)	-	-	15,456	-
Other current liabilities	9,141	-	7,523	-
Total current liabilities	<u>683,776</u>	<u>11</u>	<u>1,225,559</u>	<u>34</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 15)	-	-	128,725	4
Deferred tax liabilities (Notes 4 and 20)	3,391	-	-	-
Lease liabilities (Notes 4 and 13)	3,954	-	1,229	-
Guarantee deposits	38	-	38	-
Credit balance of investments accounted for using equity method (Note 11)	7,606	-	-	-
Total non-current liabilities	<u>14,989</u>	<u>-</u>	<u>129,992</u>	<u>4</u>
Total liabilities	<u>698,765</u>	<u>11</u>	<u>1,355,551</u>	<u>38</u>
EQUITY (Note 18)				
Common stock	<u>1,173,405</u>	<u>19</u>	<u>813,405</u>	<u>23</u>
Capital surplus	<u>2,977,555</u>	<u>48</u>	<u>344,555</u>	<u>10</u>
Retained earnings				
Legal reserve	145,127	2	79,848	2
Special reserve	25,722	1	51,961	2
Unappropriated earnings	<u>1,314,457</u>	<u>21</u>	<u>941,713</u>	<u>26</u>
Total retained earnings	<u>1,485,306</u>	<u>24</u>	<u>1,073,522</u>	<u>30</u>
Other equity interests	(<u>156,857</u>)	(<u>2</u>)	(<u>25,722</u>)	(<u>1</u>)
Total equity	<u>5,479,409</u>	<u>89</u>	<u>2,205,760</u>	<u>62</u>
TOTAL	<u>\$ 6,178,174</u>	<u>100</u>	<u>\$ 3,561,311</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

Advanced Power Electronics Co., Ltd.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4 and 25)	\$ 3,908,079	100	\$ 4,192,740	100
OPERATING COSTS (Notes 10,19 and 25)	<u>2,512,610</u>	<u>65</u>	<u>2,957,107</u>	<u>71</u>
GROSS PROFIT FROM OPERATIONS	<u>1,395,469</u>	<u>35</u>	<u>1,235,633</u>	<u>29</u>
OPERATING EXPENSES (Note 19)				
Selling and marketing expenses	86,500	2	81,411	2
General and administrative expenses	217,838	6	194,127	5
Research and development expenses	<u>170,346</u>	<u>4</u>	<u>107,988</u>	<u>2</u>
Total operating expenses	<u>474,684</u>	<u>12</u>	<u>383,526</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>920,785</u>	<u>23</u>	<u>852,107</u>	<u>20</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	24,303	1	2,623	-
Other income (Notes 19 and 25)	4,990	-	2,389	-
Other gains and losses, net (Note 19)	174,390	5	(35,010)	(1)
Finance costs (Note 19)	(2,069)	-	(4,869)	-
Share of profit of subsidiaries and associates accounted for using equity method	(<u>22,288</u>)	(<u>1</u>)	(<u>19,689</u>)	<u>-</u>
Total non-operating income and expenses	<u>179,326</u>	<u>5</u>	(<u>54,556</u>)	(<u>1</u>)
PROFIT BEFORE INCOME TAX	1,100,111	28	797,551	19
INCOME TAX EXPENSE (Notes 4 and 20)	<u>200,284</u>	<u>5</u>	<u>144,764</u>	<u>4</u>
NET PROFIT	<u>899,827</u>	<u>23</u>	<u>652,787</u>	<u>15</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(38,960)	(1)	26,400	1

(Continued)

Advanced Power Electronics Co., Ltd.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	(\$ 13,773)	-	\$ 808	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	2,675	-	(852)	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	<u>6</u>	<u>-</u>	<u>(117)</u>	<u>-</u>
Other comprehensive income (loss) (after tax)	<u>(50,052)</u>	<u>(1)</u>	<u>26,239</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME	<u><u>\$ 849,775</u></u>	<u><u>22</u></u>	<u><u>\$ 679,026</u></u>	<u><u>16</u></u>
EARNINGS PER SHARE (Note 21)				
Basic earnings per share	<u><u>\$ 8.83</u></u>		<u><u>\$ 8.03</u></u>	<u><u>-</u></u>
Diluted earnings per share	<u><u>\$ 8.58</u></u>		<u><u>\$ 7.87</u></u>	<u><u>-</u></u>

The accompanying notes are an integral part of the parent company only financial statements.

Advanced Power Electronics Co., Ltd. and its subsidiaries

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	Common Stock	Capital Surplus	Retained Earnings				Other Equity Interests				Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Foreign Currency Translation Reserve	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Employee Benefits	Total	
BALANCE, JANUARY 1, 2021	\$ 813,405	\$ 333,480	\$ 60,021	\$ 79,758	\$ 362,296	\$ 502,075	(\$ 6,185)	(\$ 45,776)	\$ -	(\$ 51,961)	\$1,596,999
Distribution of 2020 earnings											
Legal reserve	-	-	19,827	-	(19,827)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(27,797)	27,797	-	-	-	-	-	-
Cash dividends -NT\$ 1.0 per share	-	-	-	-	(81,340)	(81,340)	-	-	-	-	(81,340)
Unclaimed dividend	-	9	-	-	-	-	-	-	-	-	9
Profit (Loss) for the year ended December 31, 2021	-	-	-	-	652,787	652,787	-	-	-	-	652,787
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	(969)	27,208	-	26,239	26,239
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	652,787	652,787	(969)	27,208	-	26,239	679,026
Compensation cost of employee share options	-	11,066	-	-	-	-	-	-	-	-	11,066
BALANCE, DECEMBER 31, 2021	813,405	344,555	79,848	51,961	941,713	1,073,522	(7,154)	(18,568)	-	(25,722)	2,205,760
Distribution of 2021 earnings											
Legal reserve	-	-	65,279	-	(65,279)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(26,239)	26,239	-	-	-	-	-	-
Cash dividends -NT\$ 6.0 per share	-	-	-	-	(488,043)	(488,043)	-	-	-	-	(488,043)
Profit (Loss) for the year ended December 31, 2022	-	-	-	-	899,827	899,827	-	-	-	-	899,827
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	-	2,681	(52,733)	-	(50,052)	(50,052)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	899,827	899,827	2,681	(52,733)	-	(50,052)	849,775
Capital increase by cash	350,000	2,536,800	-	-	-	-	-	-	-	-	2,886,800
Issue of common shares under restricted employee shares	10,000	82,300	-	-	-	-	-	-	(92,300)	(92,300)	-
Compensation cost of employee share options	-	13,900	-	-	-	-	-	-	-	-	13,900
Compensation cost of restricted employee shares	-	-	-	-	-	-	-	-	11,217	11,217	11,217
BALANCE, DECEMBER 31, 2022	<u>\$1,173,405</u>	<u>\$2,977,555</u>	<u>\$ 145,127</u>	<u>\$ 25,722</u>	<u>\$1,314,457</u>	<u>\$1,485,306</u>	<u>(\$ 4,473)</u>	<u>(\$ 71,301)</u>	<u>(\$ 81,083)</u>	<u>(\$ 156,857)</u>	<u>\$5,479,409</u>

The accompanying notes are an integral part of the parent company only financial statements.

Advanced Power Electronics Co., Ltd.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 1,100,111	\$ 797,551
Adjustments for:		
Depreciation expense	22,441	19,768
Amortization expense	3,712	3,352
Finance costs	2,069	4,869
Interest income	(24,303)	(2,623)
Dividend income	(1,483)	(448)
Compensation costs of employee share options	25,117	11,066
Share of loss of subsidiaries and associates accounted for using equity method	22,288	19,689
Loss (gain) on disposal of property, plant and equipment	-	1,222
Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories	4,079	(60,316)
Unrealized (gain) or loss on foreign currency exchange	(152,946)	28,203
Changes in operating assets and liabilities:		
Notes receivable	20,936	(11,942)
Accounts receivable (related parties included)	376,923	(214,286)
Other receivables (related parties included)	14,658	(4,607)
Inventories	(277,825)	161,435
Other current assets	(49,769)	6,846
Notes payable	(33,475)	(1,661)
Accounts payable	(328,554)	21,752
Other payables (related parties included)	45,814	94,489
Other current liabilities	<u>1,618</u>	<u>(6,268)</u>
Net cash inflows generated from operating activities	771,411	868,091
Interest received	12,640	1,907
Interest paid	(2,249)	(4,799)
Income taxes paid	<u>(189,390)</u>	<u>(40,015)</u>
Net cash generated from operating activities	<u>592,412</u>	<u>825,184</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from acquisition of financial assets at fair value through other comprehensive income	(60,858)	-

(Continued)

Advanced Power Electronics Co., Ltd.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Proceeds from acquisition of financial assets at amortized cost	(\$ 2,550,446)	(\$ 385,057)
Proceeds from disposal of financial assets at amortized cost	383,057	-
Cash outflow on acquisition of subsidiaries	(50,000)	(30,000)
Acquisition of property, plant and equipment	(39,007)	(93,844)
Decrease (increase) in refundable deposits	(345,815)	100,379
Payments for intangible assets	(4,552)	(2,902)
Decrease (increase) in other non-current assets	56,220	(124,626)
Increase in prepayments for equipment	(722)	-
Other dividend received	<u>1,483</u>	<u>448</u>
Net cash generated from/ (used in) investing activities	(<u>2,610,640</u>)	(<u>535,602</u>)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	-	181,860
Decrease in short-term loans	(270,000)	(191,860)
Increase in long-term loans	-	57,970
Decrease in long-term loans	(144,181)	(12,649)
Increase in guaranteed deposits received	-	3
Repayment of the principal portion of lease liabilities	(2,450)	(619)
Cash dividends paid	(488,043)	(81,340)
Capital increase by cash	<u>2,886,800</u>	<u>-</u>
Net cash generated from / (used in) financing activities	<u>1,982,126</u>	(<u>46,635</u>)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	<u>60,058</u>	(<u>13,347</u>)
NET INCREASE IN CASH AND CASH EQUIVALENTS	23,956	229,600
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>641,545</u>	<u>411,945</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 665,501</u>	<u>\$ 641,545</u>

The accompanying notes are an integral part of the parent company only financial statements.
(Concluded)

Advanced Power Electronics Co., Ltd.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. ORGANIZATION AND OPERATIONS

Advanced Power Electronics Co., Ltd. (“APEC”) was incorporated in Taiwan, the Republic of China (“ROC”) on July 17, 1998. APEC is mainly engaged in the design of electronic elements, integrated circuits, semi-conductors, and the testing service.

APEC’s stock was approved to be traded over the counter by the ROC Taipei Exchange on April 9, 2004 and was listed on the ROC Over-the-Counter (“OTC”) Securities Exchange (known as The Taipei Exchange, TPEx) on April 15, 2004. On December 11, 2009, APEC’s stock was shifted to be listed on the Taiwan Stock Exchange (TWSE).

The parent company only financial statements are presented in New Taiwan dollars (NTD), which is APEC’s functional currency.

2. APPROVAL OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

The Board of Directors approved the parent company only financial statements on February 21, 2023.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

- a. 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 ROC Financial Supervisory Commission (“FSC”).

Application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the APEC’s accounting policies.

- b. The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC for application starting from 2023.

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except those deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Company is assessing the possible impact that the application of the above standards and interpretations will not have a significant impact on the Group's financial position and financial performance.

c. New IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC.

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9-Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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

Statement of Compliance

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

Basis of Preparation

The accompanying parent company only financial statements have been prepared on the

historical cost basis except for financial instruments that are measured at fair values.

Based on the extent that fair value can be observed, the fair value measurements are grouped into Levels 1 to 3:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the assets or liabilities are not based on observable market data (unobservable inputs).

When preparing the parent company only financial statements, the Company accounts for subsidiaries by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to owners of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the parent company only financial statements.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within 12 months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

Foreign Currencies

In preparing the parent company only financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

Foreign currency transactions are recorded at the spot exchange rate on the date of the transaction. At the end of the reporting period, foreign currency monetary items are reported using the closing rate. Exchange differences in the period 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 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 non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, 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.

When preparing the parent company only financial statements, the assets and liabilities of foreign operations are translated to NTD using the exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated at the average exchange rate for the period. Exchange differences arising are recognized in other comprehensive income.

Inventories

Inventories consist of raw materials, work-in-process, and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted - average cost.

Investments Accounted for Using Equity Method

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

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment in a subsidiary is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

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 the investment 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, the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business 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 of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the 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 parent's company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent's company financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Land has an unlimited useful life and therefore is not depreciated. Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Property, Plant and Equipment, Right-of-use Assets and Intangible Assets (excluding goodwill)

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized in the parent company only balance sheets when the Company becomes a party to the contractual provisions of the instruments.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

The Company adopts trade-date accounting to recognize and derecognize financial assets.

1) Measurement category

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets measured at amortized cost, and investments in equity instruments at FVTOCI.

a) Financial assets at FVTPL

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

b) Financial assets measured at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, accounts receivable, other receivables, refundable deposits, etc., are measured at amortized cost, which equal to gross carrying amount determined by the effective interest method less any impairment loss, except for short-term receivables when the recognition of interest is immaterial. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

Cash equivalents include time deposits and repurchase agreements collateralized by bonds with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses (ECLs) on financial assets at amortized cost (including receivables).

The loss allowances for receivables and contract assets are measured at an amount equal to lifetime ECLs. For other financial assets, when the credit risk on the financial

instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to 12-month ECLs. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to lifetime ECLs.

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

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- a) Internal or external information shows that the debtor is unlikely to pay its creditors.
- b) Failure to meet the obligation associated with liabilities within the credit terms unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The Company recognizes an impairment loss in profit or loss for aforementioned financial instruments and contract assets with a corresponding adjustment to their carrying amount through a loss allowance account.

3) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights of the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of investments in equity instruments at FVTOCI, the cumulative gain or loss is directly transferred to retained earnings, and is not reclassified to profit or loss.

b. Financial liabilities

1) Recognition

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

2) Derecognition of financial liabilities

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

Revenue Recognition

The Company's revenue is from the sale of semi-conductor products. Due to the fact that as soon as semi-conductor products are delivered to the location designated by a customer or in

the beginning of shipment, the customer already is entitled to set and use prices of the products and is mainly responsible for their re-distribution and also undertakes the risk of the products being obsolete. The Company recognizes revenue and accounts receivable at such time point.

Leases

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

a. The Company as lessor

Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Lease payments from operating leases are recognized on a straight-line basis over the terms of the relevant leases.

b. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

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. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the parent company only balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the end of the lease term.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the parent company only balance sheets.

Borrowing Costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

b. Retirement benefits

Obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss in the periods during which services are rendered by employees.

Share-based payment arrangements

The fair value at the grant date of the employee share options or restricted shares for employees is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus-employee share options or other equity- unearned employee benefits. It is recognized as an expense in full at the grant date if vesting immediately.

When restricted shares for employees are issued, other equity - unearned employee benefits are recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees.

At the end of each reporting period, Company revises its estimate of the number of employee share options or restricted shares for employees expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to capital surplus - employee share options or capital surplus - restricted shares for employees.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined in accordance with the applicable tax laws of each tax jurisdiction.

An additional surtax on undistributed earnings, computed in accordance with the Income Tax Act of the ROC, is recognized in current taxes in the year of approval by a stockholders' meeting resolution.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the parent company only financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carryforwards that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the

reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 is 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.

c. 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 UNCERTAINTY

In the application of the Company's accounting policies, the Company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Company has considered the economic implications of COVID-19 on critical accounting estimates such as cash flow estimation, growth rate, discount rate, and profitability. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand and revolving funds	\$ 100	\$ 60
Bank check and demand deposit	221,094	280,538

	December 31	
	2022	2021
Cash equivalents (investments with the original expiration date within 3 months)		
Bank time deposit	162,763	-
Repurchase agreements collateralized by bonds	<u>281,544</u>	<u>360,947</u>
	<u>\$ 665,501</u>	<u>\$ 641,545</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2022	2021
<u>Non-current</u>		
Domestic listed stocks	\$ 58,478	\$ -
Domestic listed stocks- private placement	26,313	55,937
Domestic unlisted stocks	<u>8,348</u>	<u>15,304</u>
	<u>\$ 93,139</u>	<u>\$ 71,241</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believed that recognizing short-term fluctuations from these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

8. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	December 31	
	2022	2021
<u>Current</u>		
Investments with the original expiration date over 3 months		
Bank time deposit	\$2,582,415	\$ 7,819
Repurchase agreements collateralized by bonds	<u>-</u>	<u>27,680</u>
	<u>\$2,582,415</u>	<u>\$ 35,499</u>
<u>Non-current</u>		
Pledged deposit certificate	<u>\$ 2,000</u>	<u>\$ 345,121</u>

Financial assets measured at amortized cost pledged as collateral are set out in Notes 14 and 26.

9. ACCOUNTS, NOTES, DOUBTFUL AND OTHER RECEIVABLE, NET

	December 31	
	2022	2021
<u>Notes receivable</u>		
From operating	\$ 9,743	\$ 30,679
Less: Allowance for impairment loss	<u>(127)</u>	<u>(127)</u>
	<u>\$ 9,616</u>	<u>\$ 30,552</u>

	December 31	
	2022	2021
<u>Accounts receivable</u>		
At amortized cost	\$ 711,715	\$ 986,938
Less: Allowance for impairment loss	(6,262)	(6,155)
	<u>\$ 705,453</u>	<u>\$ 980,783</u>
<u>Doubtful receivable</u>		
At amortized cost	\$ 1,327	\$ 1,434
Less: Allowance for impairment loss	(1,327)	(1,434)
	<u>\$ -</u>	<u>\$ -</u>
<u>Other receivable</u>		
Tax refund receivable	\$ 25,551	\$ 34,217
Earned revenue receivable	12,434	770
Others	<u>5,170</u>	<u>11,163</u>
	<u>\$ 43,155</u>	<u>\$ 46,150</u>

a. Accounts receivable

The main credit terms range from 60 to 150 days from the invoice date from the end of the month when the invoice is issued; no interest is calculated for accounts receivable.

Before accepting new customers, the Company evaluates the prospective customers' credit quality through an external credit rating system and set the credit limit for a specific customer.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (ECLs). The ECLs on trade receivables are estimated using a provision matrix with reference to past default experiences of the customers and an analysis of the customers' current financial positions, as well as forward-looking indicators such as the industrial economic conditions. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision matrix does not distinguish customer segments. As a result, the expected credit loss rate is based on the number of past due days of trade receivables.

The Company writes off a trade receivable when there are evidences indicating that the counterparty is in severe financial difficulty and the trade receivable is considered uncollectible. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

Movements of allowance for accounts receivable by individual and collective assessment were as follows:

December 31, 2022

	Not Past Due	Overdue			
	Due	1 to 90 days	91 to 180 days	Over 180 days	Total
Gross carrying amount	\$ 703,813	\$ 2,253	\$ 5,649	\$ -	\$ 711,715
Loss allowance (Lifetime ECL)	-	(613)	(5,649)	-	(6,262)
Amortized cost	<u>\$ 703,813</u>	<u>\$ 1,640</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 705,453</u>

December 31, 2021

	Not Past Due	Overdue			Total
		1 to 90 days	91 to 180 days	Over 180 days	
Gross carrying amount	\$ 978,422	\$ 8,492	\$ 24	\$ -	\$ 986,938
Loss allowance (Lifetime ECL)	-	(6,131)	(24)	-	(6,155)
Amortized cost	<u>\$ 978,422</u>	<u>\$ 2,361</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 980,783</u>

Movements of allowance for accounts receivable were as follows:

	For the Year Ended December 31	
	2022	2021
Beginning balance	\$ 6,155	\$ 6,155
Reclassification	<u>107</u>	<u>-</u>
Ending balance	<u>\$ 6,262</u>	<u>\$ 6,155</u>

b. Doubtful receivable

The Company evaluates whether or not there is objective impairment evidence for major financial assets that are overdue on the balance sheet date, taking into consideration unfavorable changes that have occurred in the payment status of the counterparty and the increase in the number of overdue payments, among other signs, and classify them as doubtful receivables and allowance for doubtful receivables is appropriated in a full amount.

Movements of allowance for doubtful receivable were as follows:

	For the Year Ended December 31	
	2022	2021
Beginning balance	\$ 1,434	\$ 1,434
Reclassification	(<u>107</u>)	<u>-</u>
Ending balance	<u>\$ 1,327</u>	<u>\$ 1,434</u>

10. INVENTORIES

	December 31	
	2022	2021
Raw materials	\$ 62,985	\$ 85,701
Work in process	495,956	352,541
Finished goods	<u>313,432</u>	<u>160,385</u>
	<u>\$ 872,373</u>	<u>\$ 598,627</u>

The composition of inventory-related expenses and losses recognized as cost of goods sold by the Company were as follows:

	For the Year Ended December 31	
	2022	2021
Cost of goods sold	\$ 2,508,531	\$ 3,017,423
Write-down (gain on reversal) of inventories	<u>4,079</u>	(<u>60,316</u>)
	<u>\$ 2,512,610</u>	<u>\$ 2,957,107</u>

The reversal of inventory loss due to sold of part of the written-down inventory.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	For the Year Ended December 31	
	2022	2021
Investment in subsidiaries	\$ 83,427	\$ 66,807
Credit balance of investments accounted for using equity method	<u>7,606</u>	<u>-</u>
	<u>\$ 91,033</u>	<u>\$ 66,807</u>

	Percentage of Ownership	
	December 31, 2022	December 31, 2021
Future Technology Consulting (B.V.I.), Inc. (Future)	100%	100%
Perfect Prime Limited (Perfect)	100%	100%
Green Power Semiconductor Co., Ltd. (GPS)	87.96%	87.96%
Fuhong Investment Co., Ltd. (Fuhong)	100%	100%

GPS reduced its capital in July 2021 and July 2022 to make up for its deficits. The capital reduction ratio was 50%.

Fuhong was established in July 2021 to effectively utilize the Company's funds. The Company's investment amount is \$30,000 thousand, and the shareholding ratio is 100%. The Company increased the cash capital of Fuhong by a total of \$50,000 thousand in July and August 2022, and the shareholding ratio remained unchanged after the capital increase. The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2022 and 2021 were based on the subsidiaries' financial statements which have been audited for the same years.

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Computer Communication Equipment	Office Equipment	Lease Improvement	Other Equipment	Total
Cost								
Balance, January 1, 2021	\$ 110,906	\$ 261,089	\$ 93,874	\$ 11,761	\$ 10,780	\$ 3,213	\$ 171,116	\$ 662,739
Additions	28,789	42,585	3,588	611	13,342	-	4,346	93,261
Disposals and retirements	-	-	(2,765)	-	(284)	(3,213)	(45)	(6,307)
Reclassification from pre-payment for equipment	-	-	-	-	2,548	-	972	3,520
Balance, December 31, 2021	<u>\$ 139,695</u>	<u>\$ 303,674</u>	<u>\$ 94,697</u>	<u>\$ 12,372</u>	<u>\$ 26,386</u>	<u>\$ -</u>	<u>\$ 176,389</u>	<u>\$ 753,213</u>
Accumulated depreciation and impairment								
Balance, January 1, 2021	\$ -	\$ 36,620	\$ 81,083	\$ 10,636	\$ 10,519	\$ 2,486	\$ 163,108	\$ 304,452
Depreciation	-	5,776	3,278	622	1,891	14	7,520	19,101
Disposals and retirements	-	-	(2,331)	-	(209)	(2,500)	(45)	(5,085)
Balance, December 31, 2021	<u>\$ -</u>	<u>\$ 42,396</u>	<u>\$ 82,030</u>	<u>\$ 11,258</u>	<u>\$ 12,201</u>	<u>\$ -</u>	<u>\$ 170,583</u>	<u>\$ 318,468</u>
Carrying amount, December 31, 2021	<u>\$ 139,695</u>	<u>\$ 261,278</u>	<u>\$ 12,667</u>	<u>\$ 1,114</u>	<u>\$ 14,185</u>	<u>\$ -</u>	<u>\$ 5,806</u>	<u>\$ 434,745</u>
Cost								
Balance, January 1, 2022	\$ 139,695	\$ 303,674	\$ 94,697	\$ 12,372	\$ 26,386	\$ -	\$ 176,389	\$ 753,213
Additions	1,730	3,505	4,531	670	24,592	-	8,426	43,454
Disposals and retirements	-	-	(8,588)	(5,478)	(10,496)	-	(17,102)	(41,664)
Balance, December 31, 2022	<u>\$ 141,425</u>	<u>\$ 307,179</u>	<u>\$ 90,640</u>	<u>\$ 7,564</u>	<u>\$ 40,482</u>	<u>\$ -</u>	<u>\$ 167,713</u>	<u>\$ 755,003</u>
Accumulated depreciation and impairment								
Balance, January 1, 2022	\$ -	\$ 42,396	\$ 82,030	\$ 11,258	\$ 12,201	\$ -	\$ 170,583	\$ 318,468
Depreciation	-	6,140	3,272	633	3,321	-	6,678	20,044
Disposals and retirements	-	-	(8,588)	(5,478)	(10,496)	-	(17,102)	(41,664)
Balance, December 31, 2022	<u>\$ -</u>	<u>\$ 48,536</u>	<u>\$ 76,714</u>	<u>\$ 6,413</u>	<u>\$ 5,026</u>	<u>\$ -</u>	<u>\$ 160,159</u>	<u>\$ 296,848</u>
Carrying amount, December 31, 2022	<u>\$ 141,425</u>	<u>\$ 258,643</u>	<u>\$ 13,926</u>	<u>\$ 1,151</u>	<u>\$ 35,456</u>	<u>\$ -</u>	<u>\$ 7,554</u>	<u>\$ 458,155</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	50 years
Mechanical and electrical equipment	15 years
Machinery and Equipment	6 years
Computer Communication Equipment	3-7 years
Office Equipment	5 years
Lease Improvement	5 years
Other Equipment	2-5 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 26.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
Carrying amounts		
Transportation equipment	\$ <u>7,196</u>	\$ <u>1,861</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	\$ <u>7,732</u>	\$ <u>1,914</u>
Depreciation of right-of-use assets		
Transportation equipment	\$ <u>2,397</u>	\$ <u>667</u>

b. Lease liabilities

	December 31	
	2022	2021
Carrying amounts		
Current	\$ <u>3,244</u>	\$ <u>687</u>
Non-current	\$ <u>3,954</u>	\$ <u>1,229</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2022	2021
Transportation equipment	0.92%~1.03%	0.92%~1.19%

c. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses related to short-term leases	\$ <u>355</u>	\$ <u>757</u>
Expenses related to low-value asset leases	\$ <u>100</u>	\$ <u>118</u>
Total cash outflow for leases	\$ <u>2,964</u>	\$ <u>1,499</u>

The Company leases certain parking space and office equipment which qualify as short-term leases and low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and leases liabilities for these leases.

14. OTHER ASSETS

	December 31	
	2022	2021
Non-current		
Refundable deposits	\$ 357,643	\$ 1,402
Long-term pre-payment for purchase	180,764	236,984
Pre-payment for equipment	<u>722</u>	<u>-</u>
	<u>\$ 539,129</u>	<u>\$ 238,386</u>

The Company signed capacity guarantee contracts with suppliers, and prepaid long-term payment to ensure stable capacity. To retain the capacity, the Company also provided a US dollar pledged deposit certificate as capacity guarantee. Subsequently, the agreement was amended in January 2022, and the capacity guarantee was changed to US\$ 11,520 thousand deposit and will be refunded in accordance with the contract. Please refer to Notes 8 and 26.

15. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
Unsecured loans		
— bank loans	<u>\$ 0</u>	<u>\$ 270,000</u>

As of December 31, 2021, the annual interest rate of bank revolving loans was 0.90% to 0.93%.

b. Long-term borrowings

	December 31	
	2022	2021
<u>Secured loans (Note 26)</u>		
— Mortgaged loans	\$ -	\$ 144,181
Less: Current portion	<u>-</u>	<u>(15,456)</u>
	<u>\$ -</u>	<u>\$ 128,725</u>

For Land and Buildings that have been pledged as collateral under the mortgaged loans. The mortgaged loans were due in December 2030 and June 2031. The Company repay ahead of schedule full loan in August and October 2022, respectively. As of December 31, 2021, the annual interest rate of mortgaged loans was 0.99% to 1%.

16. OTHER PAYABLES

	December 31	
	2022	2021
Payable for remunerations of employees and directors	\$ 172,694	\$ 124,473
Payable for salaries and rewards	35,496	31,966
Payables on equipment	5,383	2,207
Payable for professional fee	1,150	1,150
Others	<u>29,342</u>	<u>33,996</u>
	<u>\$ 244,065</u>	<u>\$ 193,792</u>

17. RETIREMENT BENEFIT PLANS

Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed and defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

18. EQUITY

a. Common stock

	December 31	
	2022	2021
Number of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>117,341</u>	<u>81,341</u>
Shares issued	<u>\$ 1,173,405</u>	<u>\$ 813,405</u>

A holder of issued common shares with par value of NT\$10 per share is entitled to vote and to receive dividends.

For long-term strategic development and competitiveness enhancement, with the total number of issued common shares to be no more than 35 million shares which have been resolved in the shareholders' meeting on April 13, 2022 and to authorize the board of directors to issue common shares for capital injection in cash through private placement within one year from the resolution date of the shareholders' meeting. The board of directors of the Company passed a resolution to select the specific parties on May 20, 2022, and on May 31, 2022 as the record date for capital increase. The Company issued 35 million shares at a price of NT\$ 82.48 per share, and raised a total of funds NT\$ 2,886,800 thousand, and the capital registration was completed on June 14, 2022.

On April 13, 2022, the general shareholders' meeting approved to issue 1,000,000 shares of restricted shares for employees with a par value of NT\$ 10 per share and grants made free of charge. Upon the completion of the registration of this issuance with the FSC on May 20, 2022, the Company issued restricted shares for employees on October 13, 2022.

b. Capital surplus

	December 31	
	2022	2021
<u>May be used to offset a deficit, distributed as cash</u>		
<u>Dividends, or transferred to share capital (1)</u>		
Additional paid-in capital	\$ 2,780,784	\$ 243,984
Expired employee share option	68,367	68,367
Treasury stock transactions	12,728	12,728
<u>May be used to offset a deficit only</u>		
Unclaimed dividend	9	9
<u>May not be used for any purpose</u>		
Employee share option	25,758	11,858
Employee restricted shares	82,300	-

	December 31	
	2022	2021
Change in percentage of ownership interest in subsidiaries (2)	<u>7,609</u>	<u>7,609</u>
	<u>\$ 2,977,555</u>	<u>\$ 344,555</u>

- 1). Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- 2). Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

In accordance with the policy, the Company's profits earned in a fiscal year shall be first utilized for paying taxes, offsetting losses of previous years, and setting aside as legal reserve 10% of the remaining profit pursuant to laws and regulations, unless the legal reserve has reached the Company's total paid-up capital. The remaining profits shall be set aside for special reserve in accordance with laws and regulations, or business requirements and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and after amendment, refer to Note 19(f) on employee benefits expense.

In light of the fact that the Company is in the business growth phase, to go with the demand for capital in the future and the long-term financial planning as well as to fulfill the demand of shareholders for cash flows, the Company appropriates and assigns dividends to shareholders according to the earnings available for distribution in the preceding paragraph. Cash dividends, in particular, may not be below 10% of the overall dividend value. The type and ratio of such earnings to be distributed, however, may depend on the actual profits and capital conditions of the year and be adjusted once decided through the shareholders' meeting.

According to the ROC Company Act, a company shall first set aside its earning for legal reserve until it equals the paid-in capital. The legal reserve may offset losses. After offsetting any deficit, the legal reserve may be transferred to capital and distributed as stock dividends or cash dividends for the amount in excess of 25% of the paid-in capital pursuant to a resolution adopted in the stockholders' meeting.

The appropriations of earnings for 2021 and 2020 which have been resolved in the shareholders' meeting on April 13, 2022 and July 30, 2021, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (\$)	
	2021	2020	2021	2020
Legal capital reserve	\$ 65,279	\$ 19,827		

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (\$)</u>	
	2021	2020	2021	2020
Special capital reversal	26,239	27,797		
Cash dividends to shareholders	488,043	81,340	\$ 6	\$ 1

The 2022 earnings distribution proposal stipulated on February 21, 2023 by the Company's Board of Directors was as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (\$)</u>
Legal capital reserve	\$ 89,983	
Reversal from special reserve	50,052	
Cash dividends to shareholders	586,702	\$ 5

The Company's 2022 earnings appropriations will be proposed by the Board of Directors and approved in the shareholders' meeting on May 18, 2023.

19. NON-OPERATING INCOME AND EXPENSES

a. Other income

	<u>For the Year Ended December 31</u>	
	2022	2021
Dividend income	\$ 1,483	\$ 448
Rent income	236	218
Others	<u>3,271</u>	<u>1,723</u>
	<u>\$ 4,990</u>	<u>\$ 2,389</u>

b. Other gains and losses, net

	<u>For the Year Ended December 31</u>	
	2022	2021
Gain or (loss) on foreign exchange	\$ 175,406	(\$ 24,374)
Loss on disposal of property, plant and equipment, net	-	(1,222)
Others	<u>(1,016)</u>	<u>(9,414)</u>
	<u>\$ 174,390</u>	<u>(\$ 35,010)</u>

c. Finance costs

	<u>For the Year Ended December 31</u>	
	2022	2021
Bank loans	\$ 2,010	\$ 4,864
Lease liabilities	<u>59</u>	<u>5</u>
	<u>\$ 2,069</u>	<u>\$ 4,869</u>

d. Depreciation and amortization

	<u>For the Year Ended December 31</u>	
	2022	2021
Property, plant and equipment	\$ 20,044	\$ 19,101
Right-of-use assets	2,397	667
Intangible assets	<u>3,712</u>	<u>3,352</u>
	<u>\$ 26,153</u>	<u>\$ 23,120</u>

	For the Year Ended December 31	
	2022	2021
Depreciation expense classified by function		
Operating cost	\$ 9,741	\$ 10,295
Operating expense	<u>12,700</u>	<u>9,473</u>
	<u>\$ 22,441</u>	<u>\$ 19,768</u>
Amortization expense classified by function		
Operating cost	\$ 288	\$ 415
Operating expense	<u>3,424</u>	<u>2,937</u>
	<u>\$ 3,712</u>	<u>\$ 3,352</u>
e. Employee benefits expenses		
	For the Year Ended December 31	
	2022	2021
Short-term employee benefits		
Salaries and rewards	\$334,533	\$277,193
Labor and health insurance	14,776	12,673
Others	4,146	4,023
Post-employment benefits (Note 17)		
Defined contribution plans	6,786	6,308
Share-based Payment	<u>25,117</u>	<u>11,066</u>
	<u>\$385,358</u>	<u>\$311,263</u>
Classified by function		
Operating cost	\$ 39,577	\$ 36,387
Operating expense	<u>345,781</u>	<u>274,876</u>
	<u>\$385,358</u>	<u>\$311,263</u>

f. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at rates of no less than 8% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2022 and 2021 were approved by the Board of Directors on February 21, 2023 and February 24, 2022, respectively, were as follows:

Estimated ratio

	For the Year Ended December 31	
	2022	2021
Employees' compensation	12%	8%
Remuneration of directors	1.5%	1.5%

Amount

	For the Year Ended December 31	
	2022	2021
	Paid in Cash	Paid in Cash
Employees' compensation	\$ 152,617	\$ 110,643
Remuneration of directors	19,077	13,830

If there is a change in the approved amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in accounting estimate in the next year.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2021 and 2020.

Information on the employees' compensation and remuneration of directors approved by the Board of Directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

20. INCOME TAX

a. Major components of tax expense recognized in profit or loss

Components of tax expense Income tax were as follows:

	For the Year Ended December 31	
	2022	2021
Current income tax expense		
Current period	\$ 192,449	\$ 134,126
Additional income tax on unappropriated earnings	3,970	2,873
Prior years' adjustment	(370)	(2,278)
	<u>196,049</u>	<u>134,721</u>
Deferred income tax expense		
Current period	<u>4,235</u>	<u>10,043</u>
Income tax expense recognized in profit or loss	<u>\$ 200,284</u>	<u>\$ 144,764</u>

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	For the Year Ended December 31	
	2022	2021
Income before tax	<u>\$1,100,111</u>	<u>\$ 797,551</u>
Income tax expense at the statutory rate	\$ 220,022	\$ 159,510
Nondeductible items in determining taxable income	4,534	1,891
Non-taxable income	(297)	(90)
Realized investment loss	(10,628)	(6,000)
Additional income tax on unappropriated earnings	3,970	2,873
Investment tax credits	(16,947)	(10,790)
Others	-	(352)
Prior years' other adjustments	(370)	(2,278)
Income tax expense recognized in profit or loss	<u>\$ 200,284</u>	<u>\$ 144,764</u>

b. Deferred tax assets and liabilities

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

For the Year Ended December 31, 2022

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Closing Balance</u>
Deferred tax assets			
Loss on decline in market value and obsolete and slow-moving inventories	\$ 11,881	\$ 816	\$ 12,697
Losses on investments recognized adopting the equity method	19,627	(76)	19,551
Unrealized exchange losses	1,375	(1,375)	-
Loss on financial assets	<u>1,160</u>	<u>(209)</u>	<u>951</u>
	<u>\$ 34,043</u>	<u>(\$ 844)</u>	<u>\$ 33,199</u>

Deferred tax liabilities

Unrealized exchange gains	<u>\$ -</u>	<u>\$ 3,391</u>	<u>\$ 3,391</u>
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For the Year Ended December 31, 2021

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Closing Balance</u>
Deferred tax assets			
Loss on decline in market value and obsolete and slow-moving inventories	\$ 23,944	(\$ 12,063)	\$ 11,881
Losses on investments recognized adopting the equity method	17,579	2,048	19,627
Unrealized exchange losses	1,403	(28)	1,375
Loss on financial assets	<u>1,160</u>	<u>-</u>	<u>1,160</u>
	<u>\$ 44,086</u>	<u>(\$ 10,043)</u>	<u>\$ 34,043</u>

c. Income tax examination

The income tax returns through 2020 have been examined and cleared by the tax authorities.

21. EARNINGS PER SHARE

Earnings and weighted average shares of common stock used to calculate earnings per share were as follows:

Net profit for the current year

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Basic EPS and Diluted EPS		
Profit attributable to shareholders	<u>\$ 899,827</u>	<u>\$ 652,787</u>

Common Shares Outstanding (in thousands)

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Basic EPS		
Profit attributable to shareholders	101,957	81,341

	For the Year Ended December 31	
	2022	2021
Effect of potential dilutive common shares:		
Employees' compensation	1,623	1,045
Employee share option	1,205	547
Employee restricted shares	<u>47</u>	<u>-</u>
Diluted EPS		
Profit attributable to shareholders	<u>104,832</u>	<u>82,933</u>

Since the Company has the discretion to settle the employees' compensation by cash or stock, the Company should presume that the entire amount of the compensation will be settled in stock and the potential stock dilution should be included in the weighted-average number of stock outstanding used in the calculation of diluted EPS, provided there is a dilutive effect. Such dilutive effect of the potential stock needs to be included in the calculation of diluted EPS until employees' compensation is approved in the following year.

22. SHARE-BASED COMPENSATION EXPENSES

a. Employee share option plan of the Company

The qualified employees of the Company were granted 2,000 options in March 2022 and May 2018, respectively. Each option entitles the holder to subscribe for 1,000 common shares of the Company's. The outstanding options are valid for 6 years and exercisable at 40%, 30% and 30% after two, three and four anniversaries from the grant date. The exercise price was based on the closing price at the grant date. After the option is issued, in case of variation to the common shares of the Company's, the exercise price will be adjusted according to the specified formula.

Information about employee share options was as follows:

	For the Year Ended December 31			
	2022		2021	
	No. of shares (In thousands)	Weighted- average exercise price	No. of shares (In thousands)	Weighted- average exercise price
Balance, beginning of Period	2,065	\$ 46.55	235	\$ 26.40
Options granted	-	-	2,000	47.21
Options expired upon resignation	-	-	(170)	26.40
Balance, end of period	<u>2,065</u>	39.05	<u>2,065</u>	46.55
Options exercisable, end of period	<u>65</u>		<u>46</u>	
Fair value per unit (\$)	<u>\$ -</u>		<u>\$ 18.63</u>	

Information about outstanding options was as follows:

	December 31	
	2022	2021
Range of exercise price (\$)	\$22.10~\$39.60	\$26.40~\$47.21
Weighted-average remaining contractual life (years)	1.36~4.19	2.36~5.19

Compensation cost recognized was \$13,900 thousand and \$11,066 thousand for the years ended December 31, 2022 and 2021, respectively.

b. Restricted shares for employees of the Company

In the shareholders' meeting on April 13, 2022, the shareholders' meeting approved to issue 1,000,000 shares of restricted shares for employees with a par value of NT\$ 10 per share and grants made free of charge. The board of directors of the Company authorized the chairman issued restricted shares for employees on October 13, 2022.

An employee's continuous employment with the Company through the vesting dates; no breach by the employee of any terms of any agreement with the Company to which the employee is subject, including, without limitation, the employee's employment terms and conditions or any other employment-related agreement, any non-competition or confidentiality agreements; no violation by the employee of employee handbook; and, the achievement by the employee of the employee's individual performance goals, and the Company's achievement of operational objectives during the applicable Performance Period. The maximum percentage of granted Restricted shares that may be vested each year shall be as follows: one-year anniversary of the grant: 30%; two-year anniversary of the grant: 30%; and three-year anniversary of the grant.

- 1). Except for inheritance, employees are prohibited from and shall not sell, pledge, transfer, give to another person, create any encumbrance on, or in any other way dispose of any unvested Restricted shares.
- 2). Rights to attend the Company's shareholder's meeting, submit proposals, or speak and vote at the meeting attributed to ownership of stock with respect to any unvested Restricted shares will be the same as those of the common shares of the Company but shall be subject to and performed in accordance with the trust agreement.
- 3). Rights to dividends, interest, capital reserve, and share subscription warrants attributed to ownership of stock with respect to any unvested Restricted shares will be the same as those of the common shares of the Company and shall be subject to and performed in accordance with the trust agreement.

If an employee fails to meet the vesting conditions, the Company will recall and cancel the restricted shares without any reimbursement.

Compensation cost recognized was \$11,217 thousand for the years ended December 31, 2022. As of December 31, 2022, the Company had recognized \$81,083 thousand as unearned employee compensation, which were recorded under other equity.

23 CAPITAL MANAGEMENT

The Company capital to ensure that under the premise of continuous operation, by optimizing the balance of debts and equities so that rewards for shareholders may be maximized. In other words, the Company manages its capital for the sake of ensuring that necessary financial resources and operational plans are available to support required operating funds, capital expenditure, costs of research and development, pay-off of debts, and expenditure on dividends, among others, in the 12 months that follow.

The Company's capital structure consists of the Company's equities (that is, capital stock, capital reserve, retained earnings, and other equity items) belonging to the Company.

The Company does not need to follow other external capital requirements.

24 FINANCIAL INSTRUMENTS

a. Fair value of financial instruments—Financial instruments not at fair value

The management of the Company believes that the book value of financial assets and liabilities not at fair value does not show significant differences from the fair value.

b. Fair value of financial instruments—Fair value of financial instruments that are measured at fair value on a recurring basis

1). Levels of fair value

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTOCI</u>				
Equity instruments				
— Domestic listed stocks	\$ 58,478	\$ 26,313	\$ -	\$ 84,791
— Foreign / Domestic unlisted stocks	-		8,348	8,348
total	<u>\$ 58,478</u>	<u>\$ 26,313</u>	<u>\$ 8,348</u>	<u>\$ 93,139</u>

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTOCI</u>				
Equity instruments				
— Domestic listed stocks	\$ -	\$55,937	\$ -	\$ 55,937
— Foreign / Domestic unlisted stocks	-		15,304	15,304
total	<u>\$ -</u>	<u>\$55,937</u>	<u>\$ 15,304</u>	<u>\$ 71,241</u>

There was no transfer between the fair value measurements of Levels 1 and 2 for the years ended December 31, 2022 and 2021.

2). Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Type of financial instrument</u>	<u>Valuation technique and input value</u>
Domestic listed stocks -private placement	Fair value of financial assets evaluated according to the observable share price at end of term and taking into consideration data of absence of liquidity discounts.

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

The significant and unobservable input parameter for assessing the unlisted stocks held by the Company mainly relates to liquidity discount rate. The evaluation of fair value of unlisted stocks is mainly referenced to the same type of companies or the listed companies through the market approach. As of December 31, 2022, and 2021, the liquidity discount rate was 17.48% and 22.48%, respectively.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets</u>		
Financial assets measured at amortized cost (Note 1)	\$ 4,368,089	\$ 2,094,140

	December 31	
	2022	2021
Financial assets at FVTOCI -Equity instruments	93,139	71,241

Financial liabilities

Financial liabilities measured at amortized cost (Note 2)	548,482	1,229,824
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Note1: The balances comprise cash and cash equivalents, bank time deposits, notes and accounts receivable, other receivables and refundable deposits.

Note2: The balances comprise short-term borrowings, notes and accounts payable, other payables, long-term borrowings and guarantee deposits.

d. Purpose and policy of financial risk management

Major financial instruments of the Company include equity and debt investments, cash and cash equivalents, accounts receivable and accounts payable. The Finance Department of the Company provides services to respective operating units and centrally coordinates operations for entering domestic and international financial markets. Such risks include market risk (exchange rate risk and interest rate risk), credit risk, and liquidity risk.

e. Financial risk management

1). Market risk

The Company is exposed to the financial market risks, primarily changes in foreign currency exchange rates and interest rates.

a). Foreign currency risk

Most of the Company's revenues and expenditures are denominated in foreign currencies. Consequently, the Company is exposed to foreign currency risk.

For the book value of monetary assets and liabilities in non-functional currencies at the end of the reporting period, refer to Note 27.

Sensitivity analysis

The Company is impacted mainly by the fluctuating US and RMB exchange rates.

The sensitivity analysis takes place when the exchange rate of NT dollar (functional currency) versus each of relevant foreign currencies increases or reduces by 5%. The 5% is the sensitivity ratio adopted by the Company internally in the report of the exchange rate risk to the primary management and also represents the reasonable and possible range of changes in the assessment of foreign currency exchange rates performed by the management. The sensitivity analysis only includes the monetary items of circulating foreign currencies and the conversion at the end of the year is adjusted by 5% of variation in the exchange rate. Sensitivity analysis associated with the foreign currency exchange rate risk mainly covers monetary items in foreign currencies at the end of the reporting period. When 5% of appreciation/depreciation in NT dollar versus each of the currencies, the net profits would have decreased/increased by \$80,934 thousand and \$70,768 thousand for the years ended December 31, 2022 and 2021, respectively.

b). Interest rate risk

The book value of financial assets and liabilities exposed to the interest rate risk at the end of the reporting period were as follows:

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	\$2,678,702	\$ 741,567
Financial liabilities	7,198	271,916
Cash flow interest rate risk		
Financial assets	571,098	280,489
Financial liabilities	-	144,181

Sensitivity analysis

The following sensitivity analysis is determined by the exposure to the interest rate risk of non-derivative instruments at the end of the reporting period. The rate of change adopted when the interest rate is reported inside the Company to the primary management is based on an increase or a decrease by 50 basis points in interest rate. This also represents the evaluation by the management of the reasonable and possible range of changes in the interest rate.

If the interest rate had increased/decreased by 50 basis points (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), the net profits would have increased/decreased by \$2,855 thousand and \$682 thousand for the years ended December 31, 2022 and 2021, respectively, which was mainly attributable to the Company's exposure to interest rate changes on its variable-rate bank deposits and bank loans.

2). Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. As of the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation approximates the carrying amount of the respective recognized.

The policy adopted by the Company is to only engage in transactions with parties with outstanding credit ratings and whenever necessary, sufficient collaterals are secured in order to minimize risks associated with financial losses as a result of delinquency. The Company only engages itself in transactions with enterprises with a rating equivalent to an investment grade and above. Such information is to be provided by an independent rating institution. If such information is not available, the Company will use other publicly available financial information and mutual transaction records to rate primary customers. The Company constantly monitors exposure to credit risk and the credit ratings of counterparties and decentralize the total transaction value among respective qualified customers according to their

credit rating and controls the exposure to credit risk according to the counterparty credit limits reviewed and approved by the corporate management on a yearly basis.

The Company has an enormous base of customers that is not inter-related and hence credit risk is not highly concentrated. The Company is not associated with major exposure to the credit risk versus any single counterparty or any group of counterparties with similar properties. When counterparties are affiliated with one another, the Company defines them as counterparties with similar properties.

3). Liquidity risk

The Company manages and maintains sufficient level of cash and cash equivalents ensure the requirements of paying estimated operating expenditures and reduce the impacts brought about by fluctuations in cash flows. The Company also monitors its bank credit facilities to ensure that the Company fully complies with the provisions and financial covenants of loan contracts.

a). Liquidity and interest risk rate table

The following table shows the remaining contractual maturity analysis of the Company's financial liabilities with agreed-upon repayment periods, which are based on the date the Company may be required to pay the first repayment and financial liabilities.

December 31, 2022

	Contractual Cash Flows or within a year	1-5 Years	More Than 5 Years
<u>Non-derivative financial liabilities</u>			
Notes payable	\$ 3,853	\$ -	\$ -
Accounts payable	300,526	-	-
Other payables	244,065	-	-
Lease liabilities	<u>3,298</u>	<u>3,977</u>	<u>-</u>
	<u>\$ 551,742</u>	<u>\$ 3,977</u>	<u>\$ -</u>

December 31, 2021

	Contractual Cash Flows or within a year	1-5 Years	More Than 5 Years
<u>Non-derivative financial liabilities</u>			
Short-term borrowings	\$ 270,611	\$ -	\$ -
Long-term borrowings	15,860	63,440	78,145
Notes payable	37,328	-	-
Accounts payable	584,485	-	-
Other payables	193,792	-	-
Lease liabilities	<u>701</u>	<u>1,240</u>	<u>-</u>
	<u>\$ 1,102,777</u>	<u>\$ 64,680</u>	<u>\$ 78,145</u>

b). Financing facilities

	December 31	
	2022	2021
Unsecured loans (Renew by every year)		
— Used amount	\$ -	\$ 270,000
— Unused amount	<u>800,000</u>	<u>470,000</u>
	<u>\$ 800,000</u>	<u>\$ 740,000</u>
Secured loans		
— Used amount	\$ -	\$ 156,830
— Unused amount	<u>180,000</u>	<u>181,140</u>
	<u>\$ 180,000</u>	<u>\$ 337,970</u>

25. RELATED PARTY TRANSACTIONS

The Company and related parties are disclosed below.

a. Related party name and nature of relationship

Related Parties	Relationship with the Company
Future Technology Consulting (B.V.I.), Inc. (Future)	Subsidiary
Perfect Prime Limited (Perfect)	Subsidiary
Shenzhen Fucheng Electronics Co., Ltd. (Fucheng)	Subsidiary
Green Power Semiconductor Co., Ltd. (GPS)	Subsidiary
OPC Microelectronics Co., Ltd. (OPC)	Subsidiary
Fuhong Investment Co., Ltd. (Fuhong)	Subsidiary
XSemi Corporation	Investors with Significant Influence
Hon Young Semiconductor Co., Ltd.	Substantive related party

b. Operating revenues

		For the Year Ended December 31	
Account	Related Party Categories	2022	2021
Sales	Subsidiary	<u>\$ 28,557</u>	<u>\$ 29,549</u>

c. Purchases

	For the Year Ended December 31	
Related Parties Categories	2022	2021
Subsidiary	<u>\$ -</u>	<u>\$ 30,143</u>

d. Receivables from related parties (financing to related parties not included)

		December 31	
Account	Related Party Categories	2022	2021
Accounts receivable	Subsidiary	<u>\$ 2,306</u>	<u>\$ 13,088</u>
Other receivable	Investors with significant influence	<u>\$ 48</u>	<u>\$ -</u>

e. Payable s from related parties

<u>Account</u>	<u>Related Party Categories</u>	<u>December 31</u>	
		<u>2022</u>	<u>2021</u>
Other payable	Subsidiary	<u>\$ 629</u>	<u>\$ -</u>

f. Pre-payment for purchase to related parties

<u>Related Parties Categories/Name</u>	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Subsidiary/OPC	<u>\$ 18,388</u>	<u>\$ 18,388</u>

g. Others

<u>Account</u>	<u>Related Party Categories</u>	<u>December 31</u>	
		<u>2022</u>	<u>2021</u>
Other income	Investors with significant influence	<u>\$ 212</u>	<u>\$ -</u>

h. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 111,130	\$ 75,681
Post-employment benefits	<u>540</u>	<u>540</u>
	<u>\$ 111,670</u>	<u>\$ 76,221</u>

The compensation to directors and other key management personnel were determined by the Compensation Committee of the Company in accordance with the individual performance and the market trends.

26. PLEDGED ASSETS

The following assets are provided to be the collaterals for bank borrowings, guarantee for capacity and customs declaration:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Pledged deposit certificate (Financial assets measured at amortized cost-Non-current)	\$ 2,000	\$ 345,121
Land	61,590	139,695
Buildings	<u>187,521</u>	<u>261,278</u>
	<u>\$ 251,111</u>	<u>\$ 746,094</u>

27. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The following information was summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2022

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 59,710	30.710(USD:NTD)	\$ 1,833,694
RMB	12,989	4.408(RMB:NTD)	<u>57,256</u>
			<u>\$ 1,890,950</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	8,866	30.710(USD:NTD)	<u>\$ 272,275</u>

December 31, 2021

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 67,406	27.68(USD:NTD)	\$ 1,865,798
RMB	6,416	4.344(RMB:NTD)	<u>27,871</u>
			<u>\$ 1,893,669</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	17,280	27.68(USD:NTD)	<u>\$ 478,310</u>

Net foreign exchange gains (losses) by each significant foreign currency were as follows:

For the Year Ended December 31				
		2022	2021	
Foreign Currency	Exchange rate	Net exchange profits or losses	Exchange rate	Net exchange profits or losses
USD	29.805 (USD:NTD)	\$ 174,970	28.009 (USD:NTD)	(\$ 24,566)
RMB	4.422 (RMB:NTD)	<u>365</u>	4.341 (RMB:NTD)	<u>150</u>
		<u>\$ 175,335</u>		<u>(\$ 24,416)</u>

28. ADDITIONAL DISCLOSURES

a. Information on significant transactions:

- 1) Financing extended to other parties: None.
- 2) Endorsements/guarantees provided to other parties: None.
- 3) Marketable securities held: Table 1 (attached) (excluding investments in subsidiaries and associates).
- 4) Marketable securities acquired and disposed of at costs or prices of at least \$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital: None.

- 7) Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: None.
- 8) Receivables from related parties of at least NT\$100 million or 20% of the paid-in capital: None.
- 9) Trading in derivative instruments: None.
- b. Information on investees: Table 2 (attached).
- c. Information on investment in Mainland China:
 - 1) The names of investees in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, net income or loss and recognized investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: Table 3 (attached).
 - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Table 4 (attached).
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- d. Information of major stockholders, the name, the number of stocks owned, and percentage of ownership of each stockholder with ownership of 5% or greater: Table 5 (attached).

TABLE 1**Advanced Power Electronics Co., Ltd.****MARKETABLE SECURITIES HELD****FOR THE YEAR ENDED DECEMBER 31, 2022****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2022				Note
				Shares/Units Note (In Thousands)	Carrying Value	Percentage of Ownership (%)	Fair Value	
APEC	<u>Stock</u> Advanced Microelectronic Products, Inc.	-	Financial assets at fair value through other comprehensive income –Non-Current	1,427	\$ 26,313	1	\$ 26,313	
	AXElite Co., Ltd.	-	Financial assets at fair value through other comprehensive income –Non-Current	497	8,348	5	8,348	
	Fubon Financials' Class A Preferred Shares	-	Financial assets at fair value through other comprehensive income –Non-Current	496	29,958	-	29,958	
	Fubon Financials' Class B Preferred Shares	-	Financial assets at fair value through other comprehensive income –Non-Current	496	28,520	-	28,520	
Future Technology Consulting (B.V.I.), Inc	<u>Stock</u> Seaward Electronics, Inc. (Cayman)	-	Financial assets at fair value through other comprehensive income –Non-Current	1,733	16,961	13	16,961	
Fuhong Investment Co., Ltd.	<u>Stock</u> Great Giant Fibre Garment Co., Ltd.	-	Financial assets at fair value through profit or loss –Non-Current	261	24,108	-	24,108	
	Micro Silicon Electronics Corp.	-	Financial assets at fair value through other comprehensive income –Non-Current	915	30,369	1	30,369	

Note 1: Securities indicated herein refer to the stocks, bonds, beneficiary certificates and securities derived from the above items within the scope of Financial Reporting Standard 9 "Financial Instruments."

Note 2: For related information on investing in subsidiaries, refer to Table 2 and 3.

TABLE 2

Advanced Power Electronics Co., Ltd.

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2022**

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2022	December 31, 2021	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
APEC	Future Technology Consulting (B.V.I.), Inc.	British Virgin Islands	General investment	\$ 75,937	\$ 75,937	2,350	100	\$ 19,433	(\$ 4,397)	(\$ 4,397)	Note 1
	Perfect Prime Limited	Samoa	General investment	USD 2,350	USD 2,350						
				14,540	14,540	450	100	5,028	4,775	4,775	
				USD 450	USD 450						
	Green Power Semiconductor Co., Ltd.	Taiwan	Trading	100,000	100,000	1,715	87.96	(7,606)	(22,677)	(19,947)	
	Fuhong Investment Co., Ltd.	Taiwan	General investment	80,000	30,000	8,000	100	66,572	(2,719)	(2,719)	

Note1: GPS reduced its capital in July 2022 to make up for its deficits. The capital reduction ratio was 50%.

TABLE 3

Advanced Power Electronics Co., Ltd.

INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts in Thousands of New Taiwan Dollars and US Dollars)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capita (US\$ in Thousands)	Method of Investment (Note1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (US\$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022 (US\$ in Thousands)	Net Income (Losses) of the Investee Company (US\$ in Thousands)	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022	Note
					Outflow	Inflow							
Shenzhen Fucheng Electronics Co., Ltd.	Electronic parts and components manufacturing, home appliance wholesale, home appliance retail sale, product outlook design, information software service, other designs (electronic element design, integrated circuit design, semi-conductor design), other commercial service (electronic element, integrated circuit, semi-conductor, among other electronics testing service), electronic material wholesale, electronic material retail sale	\$ 13,512 USD 440	(2)A	\$ 13,512 USD 440	\$ -	\$ -	\$ 13,512 USD 440	\$ 4,804 USD 161	100%	\$ 4,804 USD 161	\$ 4,872 USD 159	\$ -	
OPC Microelectronics Co., Ltd.	Integrated circuit, software design, development, and technical service; electronic products, instruments and meters, telecommunication equipment, computer and auxiliary equipment wholesale, commissioning and imports and exports business	63,766	(3)	63,766	-	-	63,766	(22,104)	100%	(22,104)	(14,729)	-	

Accumulated Investment in Mainland China as of December 31, 2022 (US\$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on Investment (Note2)
\$77,278	\$77,278	\$3,287,645

Note 1: The investment types are as follows:

- 1). Direct investment in Mainland China.
- 2). Indirect investment in Mainland China through a subsidiary in a third place.
 - A. Reinvestment through Perfect Prime Limited
- 3). Reinvestment through Green Power Semiconductor Co., Ltd in Taiwan.

Note 2: The upper limit on investment in mainland China is determined by 60% of the Company's net worth or consolidated net worth which one is higher required by the "Review Principles for Investments or Technical Collaborations in Mainland China" of the Investment Board, Ministry of Economic Affairs.

Note 3: The foreign currency assets and profits or losses listed herein are expressed, respectively, in New Taiwan Dollar at an end-of-term and mean exchange rates of US\$ 1=NT\$30.710 and US\$ 1=NT\$29,805 as of December 31, 2022.

TABLE 4

Advanced Power Electronics Co., Ltd.

**SIGNIFICANT INTERCOMPANY TRANSACTIONS AND RELATED INFORMATION ON INVESTEEES IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022**

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Type of transaction	Purchases (Sales)	Price	Transaction Term		Notes and accounts receivable (payable)		Unrealized profits and losses	Note
		Amount		Payment term	Compared to ordinary transactions	Amount	%		
OPC Microelectronics Co., Ltd.	Sales	(\$ 28,557)	Note1	EOM 60 days	Equivalent to	\$ 2,306	-	\$ -	

Note 1: Transactions between the Company and the related party are done according to the transaction price agreed upon between the parties.

TABLE 5

Advanced Power Electronics Co., Ltd.
INFORMATION OF MAJOR STOCKHOLDERS
DECEMBER 31, 2022

Name of Major Stockholder	Shares	
	Number of Shares	Percentage of Ownership (%)
XSemi Corporation	35,000,000	29.83%

Advanced Power Electronics Co., Ltd.



Chairman : Fu-Chi Teng



From Taiwan to the world