

Advanced Power Electronics Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the
Nine Months Ended September 30,2022
and 2021 and Independent Auditors'
Review Report

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INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Advanced Power Electronics Co., Ltd. and its subsidiaries (collectively, the “Group”) as of September 30, 2022 and 2021, the consolidated statements of comprehensive income for the three months and the nine months ended September 30, 2022 and 2021, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2022 and 2021, and of its consolidated financial performance for the three months ended September 30, 2022 and 2021 and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2022 and 2021 in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Chien-Liang Liu and Li-Wen Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China
November 1, 2022

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 Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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 independent auditors' review report and consolidated financial statements shall prevail.

Advanced Power Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

	September 30, 2022 (Reviewed)		December 31, 2021 (Audited)		September 30, 2021 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents (Note 6)	\$ 1,507,445	23	\$ 693,779	19	\$ 689,079	20
Financial assets at amortized cost (Note 9)	1,813,410	28	44,825	1	14,415	1
Notes receivable (Note 10)	5,013	-	30,552	1	33,053	1
Accounts receivable (Note 10)	915,711	14	981,146	28	922,471	27
Other receivables (Note 10)	51,198	1	46,320	1	42,336	1
Current tax assets (Note 4)	2	-	12	-	2,885	-
Inventories (Note 11)	947,282	14	599,180	17	582,283	17
Other current assets	58,056	1	4,450	-	5,234	-
Total current assets	<u>5,298,117</u>	<u>81</u>	<u>2,400,264</u>	<u>67</u>	<u>2,291,756</u>	<u>67</u>
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss (Note 7)	68,675	1	27,500	1	27,500	1
Financial assets at fair value through other comprehensive income (Note 8)	131,735	2	89,203	2	85,389	2
Financial assets at amortized cost (Note 9)	2,000	-	345,121	10	347,229	10
Property, plant and equipment (Note 12)	435,567	7	434,909	12	438,079	13
Right-of-use assets (Note 13)	8,000	-	1,861	-	139	-
Other intangible assets, net	3,192	-	2,006	-	2,013	-
Deferred tax assets (Note 4)	32,443	-	34,043	1	32,810	1
Other non-current assets (Note 14)	562,542	9	238,745	7	188,556	6
Total non-current assets	<u>1,244,154</u>	<u>19</u>	<u>1,173,388</u>	<u>33</u>	<u>1,121,715</u>	<u>33</u>
TOTAL	<u>\$ 6,542,271</u>	<u>100</u>	<u>\$ 3,573,652</u>	<u>100</u>	<u>\$ 3,413,471</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 16)	\$ -	-	\$ 270,000	8	\$ 315,000	9
Notes payable	45	-	37,328	1	43,326	1
Accounts payable	606,854	9	584,554	16	562,741	17
Other payables (Note 17)	286,747	5	203,721	6	255,734	8
Current tax liabilities (Note 4)	110,714	2	116,288	3	80,506	2
Lease liabilities (Note 13)	3,236	-	687	-	141	-
Long-term borrowings - current portion (Note 16)	9,886	-	15,456	-	15,440	1
Other current liabilities	10,399	-	8,236	-	12,699	-
Total current liabilities	<u>1,027,881</u>	<u>16</u>	<u>1,236,270</u>	<u>34</u>	<u>1,285,587</u>	<u>38</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 16)	71,674	1	128,725	4	132,597	4
Deferred tax liabilities (Note 4)	25,619	-	-	-	18	-
Lease liabilities (Note 13)	4,768	-	1,229	-	-	-
Total non-current liabilities	<u>102,061</u>	<u>1</u>	<u>129,954</u>	<u>4</u>	<u>132,615</u>	<u>4</u>
Total liabilities	<u>1,129,942</u>	<u>17</u>	<u>1,366,224</u>	<u>38</u>	<u>1,418,202</u>	<u>42</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 18)						
Common stock	1,163,405	18	813,405	23	813,405	24
Capital surplus	2,891,784	44	344,555	10	341,499	10
Retained earnings						
Legal reserve	145,127	2	79,848	2	79,848	2
Special reserve	25,722	1	51,961	2	51,961	1
Unappropriated earnings	1,230,105	19	941,713	26	735,926	22
Total retained earnings	<u>1,400,954</u>	<u>22</u>	<u>1,073,522</u>	<u>30</u>	<u>867,735</u>	<u>25</u>
Other equity interests	(43,353)	(1)	(25,722)	(1)	(29,585)	(1)
Total equity attributable to owners of the parent	<u>5,412,790</u>	<u>83</u>	<u>2,205,760</u>	<u>62</u>	<u>1,993,054</u>	<u>58</u>
NON-CONTROLLING INTERESTS	<u>(461)</u>	<u>-</u>	<u>1,668</u>	<u>-</u>	<u>2,215</u>	<u>-</u>
Total equity	<u>5,412,329</u>	<u>83</u>	<u>2,207,428</u>	<u>62</u>	<u>1,995,269</u>	<u>58</u>
TOTAL	<u>\$ 6,542,271</u>	<u>100</u>	<u>\$ 3,573,652</u>	<u>100</u>	<u>\$ 3,413,471</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

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

(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE	\$ 910,105	100	\$ 1,034,101	100	\$ 3,204,976	100	\$ 3,093,601	100
OPERATING COSTS (Notes 11 and 19)	<u>608,067</u>	<u>67</u>	<u>683,956</u>	<u>66</u>	<u>2,031,989</u>	<u>64</u>	<u>2,217,044</u>	<u>71</u>
GROSS PROFIT FROM OPERATIONS	<u>302,038</u>	<u>33</u>	<u>350,145</u>	<u>34</u>	<u>1,172,987</u>	<u>36</u>	<u>876,557</u>	<u>29</u>
OPERATING EXPENSES (Notes 19 and 25)								
Selling and marketing expenses	25,972	3	25,296	2	76,455	2	71,265	2
General and administrative expenses	71,862	8	56,993	6	229,415	7	144,084	5
Research and development expenses	<u>31,949</u>	<u>3</u>	<u>33,614</u>	<u>3</u>	<u>83,319</u>	<u>3</u>	<u>84,087</u>	<u>3</u>
Total operating expenses	<u>129,783</u>	<u>14</u>	<u>115,903</u>	<u>11</u>	<u>389,189</u>	<u>12</u>	<u>299,436</u>	<u>10</u>
PROFIT FROM OPERATIONS	<u>172,255</u>	<u>19</u>	<u>234,242</u>	<u>23</u>	<u>783,798</u>	<u>24</u>	<u>577,121</u>	<u>19</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	8,778	1	792	-	11,218	1	2,140	-
Other income (Note 19)	2,972	-	1,744	-	5,341	-	3,979	-
Other gains and losses, net (Note 19)	112,152	12	(988)	-	225,388	7	(23,899)	(1)
Finance costs (Note 19)	(369)	-	(1,253)	-	(2,089)	-	(3,748)	-
Total non-operating income and expenses	<u>123,533</u>	<u>13</u>	<u>295</u>	<u>-</u>	<u>239,858</u>	<u>8</u>	<u>(21,528)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	295,788	32	234,537	23	1,023,656	32	555,593	18
INCOME TAX EXPENSE (Notes 4 and 20)	<u>56,453</u>	<u>6</u>	<u>41,801</u>	<u>4</u>	<u>210,315</u>	<u>7</u>	<u>109,342</u>	<u>4</u>
NET PROFIT	<u>239,335</u>	<u>26</u>	<u>192,736</u>	<u>19</u>	<u>813,341</u>	<u>25</u>	<u>446,251</u>	<u>14</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	(647)	-	21,416	2	(20,967)	-	23,288	1
Items that may be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of foreign operations	<u>1,533</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>3,341</u>	<u>-</u>	<u>(940)</u>	<u>-</u>
Other comprehensive income (loss) (after tax)	<u>886</u>	<u>-</u>	<u>21,417</u>	<u>2</u>	<u>(17,626)</u>	<u>-</u>	<u>22,348</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 240,221</u>	<u>26</u>	<u>\$ 214,153</u>	<u>21</u>	<u>\$ 795,715</u>	<u>25</u>	<u>\$ 468,599</u>	<u>15</u>
NET PROFIT ATTRIBUTABLE TO:								
Owners of the parent	\$ 240,044	26	\$ 193,349	19	\$ 815,475	25	\$ 447,000	14
Non-controlling interests	(709)	-	(613)	-	(2,134)	-	(749)	-
	<u>\$ 239,335</u>	<u>26</u>	<u>\$ 192,736</u>	<u>19</u>	<u>\$ 813,341</u>	<u>25</u>	<u>\$ 446,251</u>	<u>14</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the parent	\$ 240,939	26	\$ 214,764	21	\$ 797,844	25	\$ 469,376	15
Non-controlling interests	(718)	-	(611)	-	(2,129)	-	(777)	-
	<u>\$ 240,221</u>	<u>26</u>	<u>\$ 214,153</u>	<u>21</u>	<u>\$ 795,715</u>	<u>25</u>	<u>\$ 468,599</u>	<u>15</u>
EARNINGS PER SHARE (Note 21)								
Basic earnings per share	<u>\$ 2.06</u>		<u>\$ 2.38</u>		<u>\$ 8.40</u>		<u>\$ 5.50</u>	
Diluted earnings per share	<u>\$ 2.02</u>		<u>\$ 2.32</u>		<u>\$ 8.17</u>		<u>\$ 5.40</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

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Owners of the Parent						Other Equity Interests					Total Equity
	Common Stock	Capital Surplus	Retained Earnings			Total	Foreign Currency Translation Reserve	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Total	Non-controlling Interests	
			Legal Reserve	Special Reserve	Unappropriated Earnings							
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 nine months ended												
September 30, 2021	-	-	-	-	447,000	447,000	-	-	-	447,000	(749)	446,251
Other comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	-	-	(912)	23,288	22,376	22,376	(28)	22,348
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	447,000	447,000	(912)	23,288	22,376	469,376	(777)	468,599
Compensation cost of employee share options	-	8,010	-	-	-	-	-	-	-	8,010	-	8,010
BALANCE, SEPTEMBER 30, 2021	\$ 813,405	\$ 341,499	\$ 79,848	\$ 51,961	\$ 735,926	\$ 867,735	(\$ 7,097)	(\$ 22,488)	(\$ 29,585)	\$ 1,993,054	\$ 2,215	\$ 1,995,269
BALANCE, JANUARY 1, 2022	\$ 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 nine months ended												
September 30, 2022	-	-	-	-	815,475	815,475	-	-	-	815,475	(2,134)	813,341
Other comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	-	-	3,336	(20,967)	(17,631)	(17,631)	5	(17,626)
Total comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	815,475	815,475	3,336	(20,967)	(17,631)	797,844	(2,129)	795,715
Capital increase by cash	350,000	2,536,800	-	-	-	-	-	-	-	2,886,800	-	2,886,800
Compensation cost of employee share options	-	10,429	-	-	-	-	-	-	-	10,429	-	10,429
BALANCE, SEPTEMBER 30, 2022	\$ 1,163,405	\$ 2,891,784	\$ 145,127	\$ 25,722	\$ 1,230,105	\$ 1,400,954	(\$ 3,818)	(\$ 39,535)	(\$ 43,353)	\$ 5,412,790	(\$ 461)	\$ 5,412,329

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

(In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$1,023,656	\$ 555,593
Adjustments for:		
Depreciation expense	16,277	15,219
Amortization expense	2,574	2,576
Finance costs	2,089	3,748
Interest income	(11,218)	(2,140)
Dividend income	(2,305)	(666)
Compensation costs of employee share options	10,429	8,010
Loss on disposal of property, plant and equipment	-	788
Gain from reversal of market value and obsolete and slow-moving inventories	-	(73,657)
Unrealized (gain) or loss on foreign currency exchange	(209,900)	20,944
Changes in operating assets and liabilities:		
Notes receivable	25,539	(14,443)
Accounts receivable	186,609	(140,266)
Other receivables	1,003	(776)
Inventories	(348,083)	212,868
Other current assets	(53,606)	16,816
Notes payable	(37,283)	4,337
Accounts payable	(47,084)	(2,991)
Other payables	79,784	62,022
Other current liabilities	<u>2,163</u>	<u>(1,735)</u>
Net cash inflows generated from operating activities	640,644	666,247
Interest received	5,337	1,792
Interest paid	(2,153)	(3,674)
Income taxes paid	<u>(188,660)</u>	<u>(41,994)</u>
Net cash generated from operating activities	<u>455,168</u>	<u>622,371</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. and its subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Nine Months Ended	
	September 30	
	2022	2021
Proceeds from acquisition of financial assets at amortized cost	(\$1,788,092)	(\$ 357,668)
Proceeds from disposal of financial assets at amortized cost	383,057	-
Proceeds from acquisition of financial assets at fair value through profit or loss	(41,175)	(27,500)
Acquisition of property, plant and equipment	(14,262)	(92,042)
Decrease (Increase) in refundable deposits	(321,675)	101,299
Payments for intangible assets	(2,120)	(957)
Decrease (Increase) in other non-current assets	55,284	(75,290)
Increase in prepayments for equipment	(10,807)	-
Other dividend received	<u>2,305</u>	<u>666</u>
Net cash used in investing activities	<u>(1,798,343)</u>	<u>(451,492)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	-	111,860
Decrease in short-term loans	(270,000)	(76,860)
Increase in long-term loans	-	57,970
Decrease in long-term loans	(62,621)	(8,793)
Repayment of the principal portion of lease liabilities	(1,644)	(480)
Cash dividends paid	(488,043)	-
Capital increase by cash	<u>2,886,800</u>	<u>-</u>
Net cash generated from financing activities	<u>2,064,492</u>	<u>83,697</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	<u>92,349</u>	<u>(10,938)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	813,666	243,638
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>\$1,507,445</u>	<u>\$ 689,079</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 NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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.

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 Board of Directors approved the consolidated financial statements on November 1, 2022.

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, 2023

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 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 IAS 34 Interim Financial Reporting endorsed and issued into effect by the FSC. The consolidated financial statements do not include all the information which should be disclosed in the annual consolidated financial statements in accordance with the IFRSs endorsed and issued into effect by the FSC.

Basis of Preparation

The accompanying company only 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).

Basis of Consolidation

All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. Financial statements of subsidiaries are adequately adjusted to align their accounting policies with those of the Group transactions and balances, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing 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.

For the statements, percentage of ownership and scope of operation of each subsidiary, refer to Note 15 and Tables 3 and 4.

Other significant accounting policies

Except for the following description, the significant accounting policies adopted for the consolidated financial statements are the same as those adopted for the consolidated financial statements for the year ended December 31, 2021.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The interim-period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the profit before tax of the interim-period.

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

The same critical accounting judgments and key sources of estimation uncertainty have been followed when preparing these interim consolidated financial statements as those that were applied in the preparation of the consolidated financial statements for the year ended December 31, 2021.

6. CASH AND CASH EQUIVALENTS

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand and revolving funds	\$ 132	\$ 92	\$ 92
Bank check and demand deposit	288,801	332,740	257,233
Cash equivalents (investments with the original expiration date within 3 months)			
Repurchase agreements collateralized by bonds	345,275	360,947	423,042
Bank time deposit	<u>873,237</u>	<u>-</u>	<u>8,712</u>
	<u>\$1,507,445</u>	<u>\$ 693,779</u>	<u>\$ 689,079</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2022	December 31, 2021	September 30, 2021
Non-current			
Domestic unlisted stocks	<u>\$ 68,675</u>	<u>\$ 27,500</u>	<u>\$ 27,500</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments at FVTOCI

	September 30, 2022	December 31, 2021	September 30, 2021
Non-current			
Domestic listed stocks	\$ 59,024	\$ -	\$ -
Domestic listed stocks- private placement	36,804	55,937	59,818
Domestic unlisted stocks	15,304	15,304	8,311
Foreign unlisted stocks	<u>20,603</u>	<u>17,962</u>	<u>17,260</u>
	<u>\$ 131,735</u>	<u>\$ 89,203</u>	<u>\$ 85,389</u>

These investments in equity instruments are held for 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 AT AMORTIZED COST

	September 30, 2022	December 31, 2021	September 30, 2021
Current			
Investments with the original expiration date over 3 months			
Bank time deposit	\$1,564,185	\$ 17,145	\$ 14,415
Repurchase agreements collateralized by bonds	<u>249,225</u>	<u>27,680</u>	<u>-</u>

	September 30, 2022	December 31, 2021	September 30, 2021
	<u>\$1,813,410</u>	<u>\$ 44,825</u>	<u>\$ 14,415</u>
Non-current			
Pledged deposit certificate	<u>\$ 2,000</u>	<u>\$ 345,121</u>	<u>\$ 347,229</u>

For information on financial assets at amortized cost pledged as collateral, refer to Notes 14 and 26.

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

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Notes receivable</u>			
From operating	\$ 5,140	\$ 30,679	\$ 33,180
Less: Allowance for impairment loss	(<u>127</u>)	(<u>127</u>)	(<u>127</u>)
	<u>\$ 5,013</u>	<u>\$ 30,552</u>	<u>\$ 33,053</u>
<u>Accounts receivable</u>			
At amortized cost	\$ 923,340	\$ 988,628	\$ 929,941
Less: Allowance for impairment loss	(<u>7,629</u>)	(<u>7,482</u>)	(<u>7,470</u>)
	<u>\$ 915,711</u>	<u>\$ 981,146</u>	<u>\$ 922,471</u>
<u>Doubtful receivable</u>			
At amortized cost	\$ 1,327	\$ 1,434	\$ 1,434
Less: Allowance for impairment loss	(<u>1,327</u>)	(<u>1,434</u>)	(<u>1,434</u>)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Other receivable</u>			
Tax refund receivable	\$ 37,990	\$ 34,217	\$ 27,963
Earned revenue receivable	6,821	940	575
Others	<u>6,387</u>	<u>11,163</u>	<u>13,798</u>
	<u>\$ 51,198</u>	<u>\$ 46,320</u>	<u>\$ 42,336</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:

September 30, 2022

	Not Past Due	Overdue		Total	
		1 to 90 days	91 to 180 days		Over 180 days
Gross carrying amount	\$ 909,088	\$ 12,967	\$ -	\$ 1,285	\$ 923,340
Loss allowance (Lifetime ECL)	-	(6,344)	-	(1,285)	(7,629)
Amortized cost	<u>\$ 909,088</u>	<u>\$ 6,623</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 915,711</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>

September 30, 2021

	Not Past Due	Overdue		Total	
		1 to 90 days	91 to 180 days		Over 180 days
Gross carrying amount	\$ 878,217	\$ 49,898	\$ 20	\$ 1,806	\$ 929,941
Loss allowance (Lifetime ECL)	-	(6,155)	-	(1,315)	(7,470)
Amortized cost	<u>\$ 878,217</u>	<u>\$ 43,743</u>	<u>\$ 20</u>	<u>\$ 491</u>	<u>\$ 922,471</u>

Movements of allowance for accounts receivable were as follows:

	For the Nine Months Ended September 30	
	2022	2021
Beginning balance	\$ 7,482	\$ 7,492
Reclassification	107	-
Effect of exchange rate changes	<u>40</u>	(22)
Ending balance	<u>\$ 7,629</u>	<u>\$ 7,470</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 Nine Months Ended September 30	
	2022	2021
Beginning balance	\$ 1,434	\$ 1,434
Reclassification	(107)	-
Ending balance	<u>\$ 1,327</u>	<u>\$ 1,434</u>

11. INVENTORIES

	September 30, 2022	December 31, 2021	September 30, 2021
Raw materials	\$ 75,423	\$ 85,701	\$ 92,858
Work in process	581,471	353,094	388,129
Finished goods	<u>290,388</u>	<u>160,385</u>	<u>101,296</u>
	<u>\$ 947,282</u>	<u>\$ 599,180</u>	<u>\$ 582,283</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Cost of goods sold	\$ 608,067	\$ 697,493	\$ 2,031,989	\$ 2,290,701
Gain on reversal of inventories	<u>-</u>	<u>(13,537)</u>	<u>-</u>	<u>(73,657)</u>
	<u>\$ 608,067</u>	<u>\$ 683,956</u>	<u>\$ 2,031,989</u>	<u>\$ 2,217,044</u>

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

12. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2022	December 31, 2021	September 30, 2021
Land	\$ 139,695	\$ 139,695	\$ 139,695
Buildings	256,686	261,278	262,809
Machinery and Equipment	13,782	12,831	14,102
Computer Communication Equipment	1,278	1,114	921
Office Equipment	17,977	14,185	14,524
Other equipment	<u>6,149</u>	<u>5,806</u>	<u>6,028</u>
	<u>\$ 435,567</u>	<u>\$ 434,909</u>	<u>\$ 438,079</u>

Except for the recognized depreciation, the Group did not have significant additions or disposals or impairment of property, plant and equipment during the nine months ended September 30, 2022 and 2021.

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

Buildings	
Primary 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
Other Equipment	1-5 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

	September 30, 2022	December 31, 2021	September 30, 2021
Carrying amounts			
Transportation equipment	<u>\$ 8,000</u>	<u>\$ 1,861</u>	<u>\$ 139</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Additions to right-of-use assets	<u>\$ 1,782</u>	<u>\$ -</u>	<u>\$ 7,732</u>	<u>\$ -</u>
Depreciation of right-of-use assets	<u>\$ 755</u>	<u>\$ 138</u>	<u>\$ 1,593</u>	<u>\$ 475</u>

Except for the aforementioned additions and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the nine months ended September 30, 2022 and 2021.

b. Lease liabilities

	September 30, 2022	December 31, 2021	September 30, 2022
Carrying amounts			
Current	<u>\$ 3,236</u>	<u>\$ 687</u>	<u>\$ 141</u>
Non-current	<u>\$ 4,768</u>	<u>\$ 1,229</u>	<u>\$ -</u>

Range of discount rate for lease liabilities were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Transportation equipment	0.92%~1.03%	0.92%~1.19%	1.19%

c. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Expenses related to short-term leases	<u>\$ 587</u>	<u>\$ 519</u>	<u>\$ 1,735</u>	<u>\$ 1,991</u>
Expenses related to low-value asset leases	<u>\$ 24</u>	<u>\$ 31</u>	<u>\$ 73</u>	<u>\$ 87</u>
Total cash outflow for leases			<u>(\$ 3,493)</u>	<u>(\$ 2,561)</u>

The Group leases certain parking space, which qualify as short-term leases, and certain office equipment, which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and, thus, no recognition of right-of-use assets and lease liabilities was made for such leases.

14. OTHER ASSETS

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Non-current</u>			
Long-term pre-payment for purchase	\$ 181,700	\$ 236,984	\$ 187,648
Pre-payment for equipment	10,807	-	-
Refundable deposits	<u>370,035</u>	<u>1,761</u>	<u>908</u>
	<u>\$ 562,542</u>	<u>\$ 238,745</u>	<u>\$ 188,556</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 Note 9.

15. SUBSIDIARY

a. The subsidiaries included in the consolidated financial statement:

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

<u>Investor</u>	<u>Subsidiary</u>	<u>Main Business and Products</u>	<u>Percentage of Ownership</u>			<u>Remark</u>
			<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>	
APEC	Future Technology Consulting (B.V.I.), Inc. (Future)	Investment	100%	100%	100%	Note 1
APEC	Perfect Prime Limited (Perfect)	Investment	100%	100%	100%	Note 1
APEC	Green Power Semiconductor Co., Ltd. (GPS)	Trading	87.96%	87.96%	87.96%	Notes 1,2
APEC	Fuhong Investment Co., Ltd. (Fuhong)	Investment	100%	100%	100%	Notes 1,3
Perfect	Shenzhen Fucheng Electronics Co., Ltd. (Fucheng)	Trading	100%	100%	100%	Note 1
GPS	OPC Microelectronics Co., Ltd. (OPC)	Manufacturing	100%	100%	100%	Note 1

Note 1: It is a non-significant subsidiary whose financial reports have not been reviewed by CPAs, but the management of the consolidated company believes that the financial reports of these subsidiaries have not been reviewed by CPAs and will not have a significant impact.

Note 2: GPS reduced its capital in July 2022 and July 2021 to make up for its deficits. The capital reduction ratio was 50% and 50%, respectively.

Note 3: The subsidiary was established in July 2021.

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

16. BORROWINGS

a. Short-term borrowings

	September 30, 2022	December 31, 2021	September 30, 2022
Unsecured loans			
– Bank loans	<u>\$ -</u>	<u>\$ 270,000</u>	<u>\$ 315,000</u>

As of September 30, 2022 and December 31, 2021, the annual interest rate of bank revolving loans was 0.90% to 0.93% and 0.90% to 0.95%, respectively.

b. Long-term borrowings

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Secured loans (Note 26)</u>			
– Mortgaged loans	\$ 81,560	\$ 144,181	\$ 148,037
Less: Current portion	(9,886)	(15,456)	(15,440)
	<u>\$ 71,674</u>	<u>\$ 128,725</u>	<u>\$ 132,597</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. As of September 30, 2022, December 31, 2021, and September 30, 2021, the annual interest rate of mortgaged loans was 1.42%, 0.99% to 1% and 1%.

17. OTHER PAYABLES

	September 30, 2022	December 31, 2021	September 30, 2021
Payable for remunerations of employees and directors	\$ 213,495	\$ 124,473	\$ 110,511
Payable for salaries and rewards	29,151	34,209	28,314
Payables on equipment	3,283	2,207	2,418
Payable for professional fee	1,620	1,251	1,012
Dividend payable	831	831	82,172
Others	<u>38,367</u>	<u>40,750</u>	<u>31,307</u>
	<u>\$ 286,747</u>	<u>\$ 203,721</u>	<u>\$ 255,734</u>

18. EQUITY

a. Common stock

	September 30, 2022	December 31, 2021	September 30, 2021
Number of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>116,341</u>	<u>81,341</u>	<u>81,341</u>
Shares issued	<u>\$ 1,163,405</u>	<u>\$ 813,405</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 base 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.

b. Capital surplus

	September 30, 2022	December 31, 2021	September 30, 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	\$ 243,984
Expired employee share option	68,367	68,367	67,287
Treasury stock transactions	12,728	12,728	12,728
<u>May be used to offset a deficit only</u>			
Unclaimed dividend	9	9	9
<u>May not be used for any purpose</u>			
Employee share option	22,287	11,858	9,882
Change in percentage of ownership interest in subsidiaries (2)	<u>7,609</u>	<u>7,609</u>	<u>7,609</u>
	<u>\$2,891,784</u>	<u>\$ 344,555</u>	<u>\$ 341,499</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 is the adjustment made in the transaction of equities recognized due to variation in the subsidiary's equities when the Company does not actually acquire or dispose of the subsidiary's employee share options or when the capital reserve of the subsidiary is recognized by the Company using the equity method.

c. Retained earnings and dividend 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 19(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>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Legal capital reserve	\$ 65,279	\$ 19,827		
Special capital reversal	26,239	27,797		
Cash dividends to shareholders	488,043	81,340	\$ 6	\$ 1

19. NON-OPERATING INCOME AND EXPENSES

a. Other income

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Dividend income	\$ 2,305	\$ 666	\$ 2,305	\$ 666
Others	<u>667</u>	<u>1,078</u>	<u>3,036</u>	<u>3,313</u>
	<u>\$ 2,972</u>	<u>\$ 1,744</u>	<u>\$ 5,341</u>	<u>\$ 3,979</u>

b. Other gains and losses, net

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Gain (Loss) on foreign exchange	\$ 112,267	\$ 3,333	\$ 226,329	(\$ 17,956)
Loss on disposal of property, plant and equipment, net	-	-	-	(788)
Others	(<u>115</u>)	(<u>4,321</u>)	(<u>941</u>)	(<u>5,155</u>)
	<u>\$ 112,152</u>	(<u>\$ 988</u>)	<u>\$ 225,388</u>	(<u>\$ 23,899</u>)

c. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Bank loans	\$ 343	\$ 1,226	\$ 1,990	\$ 3,692
Lease liabilities	19	1	41	3
Others	<u>7</u>	<u>26</u>	<u>58</u>	<u>53</u>
	<u>\$ 369</u>	<u>\$ 1,253</u>	<u>\$ 2,089</u>	<u>\$ 3,748</u>

d. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Property, plant and equipment	\$ 5,088	\$ 5,039	\$ 14,684	\$ 14,744
Right-of-use assets	755	138	1,593	475
Intangible assets	<u>1,095</u>	<u>906</u>	<u>2,574</u>	<u>2,576</u>
	<u>\$ 6,938</u>	<u>\$ 6,083</u>	<u>\$ 18,851</u>	<u>\$ 17,795</u>
Depreciation expense classified by function				
Operating cost	\$ 2,458	\$ 2,481	\$ 7,068	\$ 7,877
Operating expense	<u>3,385</u>	<u>2,696</u>	<u>9,209</u>	<u>7,342</u>
	<u>\$ 5,843</u>	<u>\$ 5,177</u>	<u>\$ 16,277</u>	<u>\$ 15,219</u>
Amortization expense classified by function				
Operating cost	\$ 91	\$ 113	\$ 231	\$ 337
Operating expense	<u>1,004</u>	<u>793</u>	<u>2,343</u>	<u>2,239</u>
	<u>\$ 1,095</u>	<u>\$ 906</u>	<u>\$ 2,574</u>	<u>\$ 2,576</u>

e. Employee benefits expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Short-term employee benefits	\$ 97,598	\$ 85,410	\$ 304,068	\$ 226,921
Post-employment benefits				
Defined contribution plans	1,718	1,602	5,050	4,678
Share-based Payment	3,470	3,514	10,429	8,010
Other employee benefits	<u>1,036</u>	<u>1,023</u>	<u>3,175</u>	<u>3,041</u>
	<u>\$ 103,822</u>	<u>\$ 91,549</u>	<u>\$ 322,722</u>	<u>\$ 242,650</u>
Classified by function				
Operating cost	\$ 10,778	\$ 9,641	\$ 29,853	\$ 27,495
Operating expense	<u>93,044</u>	<u>81,908</u>	<u>292,869</u>	<u>215,155</u>
	<u>\$ 103,822</u>	<u>\$ 91,549</u>	<u>\$ 322,722</u>	<u>\$ 242,650</u>

f. Employees' compensation and remuneration of directors

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 three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, respectively, were as follows:

Estimated ratio

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Employees' compensation	12%	12%	12%	12%
Remuneration of directors	1.5%	1.5%	1.5%	1.5%

Amount

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Employees' compensation	<u>\$ 41,132</u>	<u>\$ 32,622</u>	<u>\$ 142,306</u>	<u>\$ 77,180</u>
Remuneration of directors	<u>\$ 5,141</u>	<u>\$ 4,078</u>	<u>\$ 17,788</u>	<u>\$ 9,648</u>

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.

The employees' compensation and remuneration of directors of 2021 and 2020 approved by the Board of Directors on February 24, 2022 and March 9, 2021, respectively, were as follows:

Amount

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
	<u>Paid in Cash</u>	<u>Paid in Cash</u>
Employees' compensation	\$ 110,643	\$ 19,944
Remuneration of directors	13,830	3,739

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.

20. INCOME TAX

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

Components of tax expense Income tax were as follows:

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current income tax expense				
Current period	\$ 43,272	\$ 38,439	\$ 177,181	\$ 94,944
Additional income tax on unappropriated earnings	-	-	6,285	6,245
Prior years' adjustment	-	-	(370)	(3,141)
Deferred income tax expense				
Current period	<u>13,181</u>	<u>3,362</u>	<u>27,219</u>	<u>11,294</u>
Income tax expense recognized in profit or loss	<u>\$ 56,453</u>	<u>\$ 41,801</u>	<u>\$ 210,315</u>	<u>\$ 109,342</u>

b. 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:

	<u>Year</u>
APEC	2020
Green Power Semiconductor Co., Ltd.	2020

21. EARNINGS PER SHARE

The earnings and weighted average number of common shares outstanding used in the computation of earnings per share were as follows:

Net profit for the current year

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2022	2021	2022	2021
Basic EPS and Diluted EPS Profit attributable to owners of the parent	<u>\$ 240,044</u>	<u>\$ 193,349</u>	<u>\$ 815,475</u>	<u>\$ 447,000</u>

Common Shares Outstanding (in thousands)

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2022	2021	2022	2021
Basic EPS				
Weighted average number of common shares	116,340	81,341	97,110	81,341
Effect of potential dilutive common shares:				
Employees' compensation	1,349	894	1,558	994
Employee share option	<u>1,166</u>	<u>949</u>	<u>1,177</u>	<u>497</u>
Diluted EPS				
Profit attributable to owners of the parent	<u>118,855</u>	<u>83,184</u>	<u>99,845</u>	<u>82,832</u>

Since APEC has the discretion to settle the employees' compensation by cash or stock, APEC 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

Employee share option plan of the Company

The qualified employees of the Group were granted 2,000 options in March 2021 and May 2018, respectively. Each option entitles the holder to subscribe for 1,000 common shares of APEC. 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 APEC, the exercise price will be adjusted according to the specified formula.

Information about employee share options was as follows:

	For the Nine Months Ended September 30			
	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	<u>-</u>	-	<u>2,000</u>	47.21
Balance, end of period	<u>2,065</u>	39.35	<u>2,235</u>	45.02
Options exercisable, end of period	<u>65</u>		<u>165</u>	
Fair value per unit (\$)	<u>\$ -</u>		<u>\$ 18.63</u>	

Information about outstanding options was as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Range of exercise price (\$)	\$ 22.30~\$39.90	\$ 26.40~\$47.21	\$ 26.40~\$47.21
Weighted-average remaining contractual life (years)	1.61~4.44	2.36~5.19	2.61~5.44

Compensation cost recognized was \$10,429 thousand and \$8,010 thousand for the nine months ended September 30, 2022, and 2021, respectively.

23. 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.

24. 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

September 30, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Equity instruments				
— Domestic unlisted stocks	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,675</u>	<u>\$ 68,675</u>

	<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	\$ 59,024	\$ 36,804	\$ -	\$ 95,828
— Foreign / Domestic unlisted stocks	<u>-</u>	<u>-</u>	<u>35,907</u>	<u>35,907</u>
total	<u>\$ 59,024</u>	<u>\$ 36,804</u>	<u>\$ 35,907</u>	<u>\$ 131,735</u>

December 31, 2021

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

September 30, 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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,500</u>	<u>\$ 27,500</u>
<u>Financial assets at FVTOCI</u>				
Equity instruments				
— Domestic listed stocks	\$ -	\$ 59,818	\$ -	\$ 59,818
— Foreign / Domestic unlisted stocks	<u>-</u>	<u>-</u>	<u>25,571</u>	<u>25,571</u>
total	<u>\$ -</u>	<u>\$ 59,818</u>	<u>\$ 25,571</u>	<u>\$ 85,389</u>

There was no transfer between the fair value measurements of Levels 1 and 2 for the nine months ended September 30, 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.

c. Categories of financial instruments

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 68,675	\$ 27,500	\$ 27,500
Financial assets measured at amortized cost (Note 1)	4,664,812	2,143,504	2,049,491
Financial assets at FVTOCI -Equity instruments	131,735	89,203	85,389
<u>Financial liabilities</u>			
Financial liabilities measured at amortized cost (Note 2)	975,206	1,239,784	1,324,838

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 and long-term borrowings.

d. Purpose and policy of financial risk management

Major financial instruments of the Group include equity 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 27.

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 increased/decreased by \$83,705 thousand and \$67,581 thousand for the nine months ended September 30, 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:

	September 30, 2022	December 31, 2021	September 30, 2021
Fair value interest rate risk			
Financial assets	\$2,683,902	\$ 750,893	\$ 793,398
Financial liabilities	8,004	271,916	300,141
Cash flow interest rate risk			
Financial assets	638,790	332,691	257,184
Financial liabilities	81,560	144,181	163,037

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 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 \$2,090 thousand and \$353 thousand for the nine months ended September 30, 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.

September 30, 2022

	Contractual Cash Flows or within a year	1-5 Years	More Than 5 Years
<u>Non-derivative financial liabilities</u>			
Long-term borrowings	\$ 10,980	\$ 42,517	\$ 32,890
Notes payable	45	-	-
Accounts payable	606,854	-	-
Other payables	286,747	-	-
Lease liabilities	<u>3,298</u>	<u>4,801</u>	<u>-</u>
	<u>\$ 907,924</u>	<u>\$ 47,318</u>	<u>\$ 32,890</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	<u>701</u>	<u>1,240</u>	<u>-</u>
	<u>\$ 1,112,775</u>	<u>\$ 64,680</u>	<u>\$ 78,145</u>

September 30, 2021

	Contractual Cash Flows or within a year	1-5 Years	More Than 5 Years
<u>Non-derivative financial liabilities</u>			
Short-term borrowings	\$ 315,550	\$ -	\$ -
Long-term borrowings	16,837	66,374	72,006
Notes payable	43,326	-	-
Accounts payable	562,741	-	-
Other payables	255,734	-	-
Lease liabilities	141	-	-
	<u>\$ 1,194,329</u>	<u>\$ 66,374</u>	<u>\$ 72,006</u>

The Group has sufficient liquidity to fund its business requirements for the next twelve months. After having taken into consideration the Group's financial status, the management believes that it is quite impossible for the bank to exercise its right by demanding that the Group to pay off the above borrowings immediately.

b). Financing facilities

	September 30, 2022	December 31, 2021	September 30, 2021
Unsecured loans (Renew by every year)			
— Used amount	\$ -	\$ 270,000	\$ 315,000
— Unused amount	850,000	470,000	555,000
	<u>\$ 850,000</u>	<u>\$ 740,000</u>	<u>\$ 870,000</u>
Secured loans			
— Used amount	\$ 100,000	\$ 156,830	\$ 157,970
— Unused amount	180,000	181,140	180,000
	<u>\$ 280,000</u>	<u>\$ 337,970</u>	<u>\$ 337,970</u>

25. 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.

Compensation of key management personnel:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Short-term employee benefits	\$ 27,915	\$ 18,040	\$ 90,994	\$ 45,423
Post-employment benefits	135	135	405	405
	<u>\$ 28,050</u>	<u>\$ 18,175</u>	<u>\$ 91,399</u>	<u>\$ 45,828</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.

26. PLEDGED ASSETS

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

	September 30, 2022	December 31, 2021	September 30, 2021
Pledged deposit certificate (Financial assets at amortized cost-Non-current)	\$ 2,000	\$ 345,121	\$ 347,229
Land	139,695	139,695	139,695
Buildings	<u>256,686</u>	<u>261,278</u>	<u>262,809</u>
	<u>\$ 398,381</u>	<u>\$ 746,094</u>	<u>\$ 749,733</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 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:

September 30, 2021

	<u>Foreign Currencies (In Thousands)</u>	<u>Exchange Rate</u>	<u>Carrying Amount (In Thousands)</u>
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 68,502	31.750 (USD:NTD)	\$ 2,174,939
USD	90	7.098(USD:RMB)	2,858
RMB	12,374	4.473 (RMB:NTD)	55,349
			<u>\$ 2,233,146</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	16,980	31.750 (USD:NTD)	\$ 539,115
USD	628	7.098(USD:RMB)	19,939
			<u>\$ 559,054</u>

December 31, 2021

	<u>Foreign Currencies (In Thousands)</u>	<u>Exchange Rate</u>	<u>Carrying Amount (In Thousands)</u>
<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)	27,910
			<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)	24,303
			<u>\$ 502,613</u>

September 30, 2021

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 64,591	27.850 (USD:NTD)	\$ 1,798,844
RMB	3,192	4.305 (RMB:NTD)	13,744
USD	187	6.469(USD:RMB)	5,208
RMB	741	0.155 (RMB:USD)	3,190
			<u>\$ 1,820,986</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	15,879	27.850 (USD:NTD)	\$ 442,219
USD	975	6.469(USD:RMB)	27,154
			<u>\$ 469,373</u>

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

Foreign Currency	For the Three Months Ended September 30			
	2022		2021	
	Exchange rate	Net exchange profits or losses	Exchange rate	Net exchange profits or losses
USD	30.404(USD:NTD)	\$ 111,774	27.858(USD:NTD)	\$ 3,316
RMB	4.431(RMB:NTD)	444	4.305(RMB:NTD)	(17)
		<u>\$ 112,218</u>		<u>\$ 3,299</u>
Foreign Currency	For the Nine Months Ended September 30			
	2022		2021	
	Exchange rate	Net exchange profits or losses	Exchange rate	Net exchange profits or losses
USD	29.285(USD:NTD)	\$ 225,126	28.067(USD:NTD)	(\$ 17,987)
RMB	4.428(RMB:NTD)	1,112	4.377(RMB:NTD)	-
		<u>\$ 226,238</u>		<u>(\$ 17,987)</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.
 - 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).

29. 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.

TABLE 1**Advanced Power Electronics Co., Ltd. and its subsidiaries****MARKETABLE SECURITIES HELD****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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	September 30, 2022			Note
				Shares/Units Note (In Thousands)	Carrying Value	Percentage of Ownership (%)	
APEC	<u>Stock</u> Advanced Microelectronic Products, Inc.	-	Financial assets at fair value through other comprehensive income –Non-Current	1,427	\$ 36,804	1	\$ 36,804
	AXElite Co., Ltd.	-	Financial assets at fair value through other comprehensive income –Non-Current	497	15,304	5	15,304
	Fubon Financials' Class A Preferred Shares	-	Financial assets at fair value through other comprehensive income –Non-Current	496	29,810	-	29,810
	Fubon Financials' Class B Preferred Shares	-	Financial assets at fair value through other comprehensive income –Non-Current	496	29,214	-	29,214
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	20,603	13	20,603
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	27,500	-	27,500
	Micro Silicon Electronics Corp.	-	Financial assets at fair value through profit or loss –Non-Current	915	41,175	1	41,175

Note1: 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.

Advanced Power Electronics Co., Ltd. and its subsidiaries

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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	\$ 25,907	Note 4	1
				Receivables from related parties	2,591	Note 4	-
1	Future Technology Consulting (B.V.I), Inc.	Shenzhen Fucheng Electronics Co., Ltd.	(2)	Prepayments	18,388	Note 4	1
2	OPC Microelectronics Co., Ltd.	Shenzhen Fucheng Electronics Co., Ltd.	(2)	Professional service fees	3,172	Note 4	-
				Professional service fees	7,944	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 the parent company.

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 NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2022			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				September 30, 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	\$ 23,408	(\$ 4,089)	(\$ 4,089)	Note 1
	Perfect Prime Limited	Samoa	General investment	14,540 USD 450	14,540 USD 450	450	100	5,539	5,211	5,211	
	Green Power Semiconductor Co., Ltd.	Taiwan	Trading	100,000	100,000	1,715	87.96	(3,371)	(17,725)	(15,590)	
	Fuhong Investment Co., Ltd.	Taiwan	General investment	80,000	30,000	8,000	100	80,842	744	744	

Note1: GPS reduced its capital in July 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 NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 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 September 30, 2022	Accumulated Inward Remittance of Earnings as of September 30, 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	\$ 13,970 USD 440	(2)A	\$ 13,970 USD 440	\$ -	\$ -	\$ 13,970 USD 440	\$ 5,238 USD 179	100%	\$ 5,238 USD 179	\$ 5,376 USD 169	\$ -	
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	(1)	63,766	-	-	63,766	(17,265)	100%	(17,265)	(10,028)	-	

Accumulated Investment in Mainland China as of September 30, 2022 (US\$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on Investment (Note 2)
\$ 77,736	\$ 77,736	\$ 3,247,674

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). Others.

Note 2: 60% of the limit 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\$31.750 and US\$ 1=NT\$29.285 as of September 30, 2022.

TABLE 5**Advanced Power Electronics Co., Ltd. and its subsidiaries****SIGNIFICANT INTERCOMPANY TRANSACTIONS AND RELATED INFORMATION ON INVESTEEES IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022****(Amounts in Thousands of New Taiwan Dollars and US Dollars)**

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	(\$ 25,907)	Note 1	EOM 60 days	Equivalent to	\$ 2,591	0%	\$ -	

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
SEPTEMBER 30, 2022

Name of Major Stockholder	Shares	
	Number of Shares	Percentage of Ownership (%)
XSemi Corporation	35,000,000	30.08%