

Advanced Power Electronics Co.,
Ltd. and Subsidiaries

Consolidated Financial Statements for the
Six Months Ended June 30, 2023 and 2022
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 June 30, 2023 and 2022, the consolidated statements of comprehensive income for the three months and the six months ended June 30, 2023 and 2022, the consolidated statements of changes in equity and cash flows for the six 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 the Standards on Review Engagements of the Republic of China 2410 “Review of Interim 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 June 30, 2023 and 2022, and of its consolidated financial performance for the three months ended June 30, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2023 and 2022 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 Wen-Chin Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China
August 1, 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 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 SHEET

(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2023		December 31, 2022		June 30, 2022	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and Cash Equivalents (Note 6)	\$ 350,625	6	\$ 684,839	11	\$ 2,989,508	46
Financial assets at amortized cost (Note 9)	2,960,236	47	2,596,010	42	387,141	6
Notes receivable (Note 10)	9,485	-	9,616	-	12,227	-
Accounts receivable (Notes 10 and 25)	819,525	13	705,533	11	1,085,096	17
Other receivables (Notes 10 and 25)	51,834	1	43,341	1	39,041	-
Current tax assets (Note 4)	2,318	-	4	-	2	-
Inventories (Note 11)	810,481	13	872,626	14	772,477	12
Other current assets	61,407	1	53,003	1	55,793	1
Total current assets	<u>5,065,911</u>	<u>81</u>	<u>4,964,972</u>	<u>80</u>	<u>5,341,285</u>	<u>82</u>
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss (Note 7)	32,056	1	24,108	-	27,500	-
Financial assets at fair value through other comprehensive income (Note 8)	145,190	2	140,469	2	70,207	1
Financial assets at amortized cost (Note 9)	2,000	-	2,000	-	2,000	-
Property, plant and equipment (Note 12)	460,314	7	458,255	8	430,736	7
Right-of-use assets (Note 13)	7,223	-	7,196	-	6,973	-
Other intangible assets, net	1,244	-	2,878	-	1,143	-
Deferred tax assets (Note 4)	40,952	1	33,199	1	32,500	1
Other non-current assets (Note 14)	509,052	8	539,536	9	562,614	9
Total non-current assets	<u>1,198,031</u>	<u>19</u>	<u>1,207,641</u>	<u>20</u>	<u>1,133,673</u>	<u>18</u>
TOTAL	<u>\$ 6,263,942</u>	<u>100</u>	<u>\$ 6,172,613</u>	<u>100</u>	<u>\$ 6,474,958</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Notes payable	\$ 25	-	\$ 3,853	-	\$ 41	-
Accounts payable (Note 25)	355,767	6	300,597	5	731,134	12
Other payables (Note 17)	765,589	12	245,981	4	262,671	4
Current tax liabilities (Note 4)	40,345	1	122,947	2	140,026	2
Lease liabilities (Note 13)	3,847	-	3,244	-	2,641	-
Long-term borrowings - current portion (Note 16)	-	-	-	-	15,413	-
Other current liabilities	7,063	-	10,278	-	16,494	-
Total current liabilities	<u>1,172,636</u>	<u>19</u>	<u>686,900</u>	<u>11</u>	<u>1,168,420</u>	<u>18</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 16)	-	-	-	-	121,068	2
Deferred tax liabilities (Note 4)	12,161	-	3,391	-	12,495	-
Lease liabilities (Note 13)	3,371	-	3,954	-	4,337	-
Total non-current liabilities	<u>15,532</u>	<u>-</u>	<u>7,345</u>	<u>-</u>	<u>137,900</u>	<u>2</u>
Total liabilities	<u>1,188,168</u>	<u>19</u>	<u>694,245</u>	<u>11</u>	<u>1,306,320</u>	<u>20</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 18)						
Common stock	1,178,905	19	1,173,405	19	1,163,405	18
Capital surplus	2,998,063	48	2,977,555	48	2,888,314	45
Retained earnings						
Legal reserve	235,110	4	145,127	2	145,127	2
Special reserve	75,774	1	25,722	1	25,722	1
Unappropriated earnings	714,317	11	1,314,457	21	990,061	15
Total retained earnings	<u>1,025,201</u>	<u>16</u>	<u>1,485,306</u>	<u>24</u>	<u>1,160,910</u>	<u>18</u>
Other equity interests	(124,688)	(2)	(156,857)	(2)	(44,248)	(1)
Total equity attributable to owners of the parent	<u>5,077,481</u>	<u>81</u>	<u>5,479,409</u>	<u>89</u>	<u>5,168,381</u>	<u>80</u>
NON-CONTROLLING INTERESTS	<u>(1,707)</u>	<u>-</u>	<u>(1,041)</u>	<u>-</u>	<u>257</u>	<u>-</u>
Total equity	<u>5,075,774</u>	<u>81</u>	<u>5,478,368</u>	<u>89</u>	<u>5,168,638</u>	<u>80</u>
TOTAL	<u>\$ 6,263,942</u>	<u>100</u>	<u>\$ 6,172,613</u>	<u>100</u>	<u>\$ 6,474,958</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)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 25)	\$ 718,793	100	\$ 1,163,163	100	\$ 1,374,309	100	\$ 2,294,871	100
OPERATING COSTS (Notes 11 and 19)	<u>559,807</u>	<u>78</u>	<u>724,419</u>	<u>62</u>	<u>1,042,671</u>	<u>76</u>	<u>1,423,922</u>	<u>62</u>
GROSS PROFIT FROM OPERATIONS	<u>158,986</u>	<u>22</u>	<u>438,744</u>	<u>38</u>	<u>331,638</u>	<u>24</u>	<u>870,949</u>	<u>38</u>
OPERATING EXPENSES (Notes 19 and 25)								
Selling and marketing expenses	23,837	3	23,867	2	46,236	3	50,483	2
General and administrative expenses	48,478	7	80,214	7	94,527	7	157,553	7
Research and development expenses	<u>36,006</u>	<u>5</u>	<u>28,022</u>	<u>2</u>	<u>73,779</u>	<u>6</u>	<u>51,370</u>	<u>2</u>
Total operating expenses	<u>108,321</u>	<u>15</u>	<u>132,103</u>	<u>11</u>	<u>214,542</u>	<u>16</u>	<u>259,406</u>	<u>11</u>
PROFIT FROM OPERATIONS	<u>50,665</u>	<u>7</u>	<u>306,641</u>	<u>27</u>	<u>117,096</u>	<u>8</u>	<u>611,543</u>	<u>27</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	17,357	2	1,844	-	33,215	3	2,440	-
Other income (Note 25)	616	-	1,857	-	1,565	-	2,369	-
Other gains and losses, net (Note 19)	29,474	4	58,859	5	17,898	1	113,236	5
Finance costs (Note 19)	(<u>22</u>)	-	(<u>799</u>)	-	(<u>38</u>)	-	(<u>1,720</u>)	-
Total non-operating income and expenses	<u>47,425</u>	<u>6</u>	<u>61,761</u>	<u>5</u>	<u>52,640</u>	<u>4</u>	<u>116,325</u>	<u>5</u>
PROFIT BEFORE INCOME TAX	98,090	13	368,402	32	169,736	12	727,868	32
INCOME TAX EXPENSE (Notes 4 and 20)	<u>29,413</u>	<u>4</u>	<u>80,631</u>	<u>7</u>	<u>43,876</u>	<u>3</u>	<u>153,862</u>	<u>7</u>
NET PROFIT	<u>68,677</u>	<u>9</u>	<u>287,771</u>	<u>25</u>	<u>125,860</u>	<u>9</u>	<u>574,006</u>	<u>25</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 (Note 18)	(<u>3,409</u>)	-	(<u>4,977</u>)	(<u>1</u>)	4,484	1	(<u>20,320</u>)	(<u>1</u>)
Items that may be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of foreign operations	<u>1,043</u>	-	<u>834</u>	-	<u>835</u>	-	<u>1,808</u>	-
Other comprehensive income (loss) (after tax)	(<u>2,366</u>)	-	(<u>4,143</u>)	(<u>1</u>)	<u>5,319</u>	<u>1</u>	(<u>18,512</u>)	(<u>1</u>)
TOTAL COMPREHENSIVE INCOME	<u>\$ 66,311</u>	<u>9</u>	<u>\$ 283,628</u>	<u>24</u>	<u>\$ 131,179</u>	<u>10</u>	<u>\$ 555,494</u>	<u>24</u>
NET PROFIT ATTRIBUTABLE TO:								
Owners of the parent	\$ 69,136	10	\$ 288,392	25	\$ 126,597	9	\$ 575,431	25
Non-controlling interests	(<u>459</u>)	-	(<u>621</u>)	-	(<u>737</u>)	-	(<u>1,425</u>)	-
	<u>\$ 68,677</u>	<u>10</u>	<u>\$ 287,771</u>	<u>25</u>	<u>\$ 125,860</u>	<u>9</u>	<u>\$ 574,006</u>	<u>25</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the parent	\$ 66,690	9	\$ 284,250	24	\$ 131,845	10	\$ 556,905	24
Non-controlling interests	(<u>379</u>)	-	(<u>622</u>)	-	(<u>666</u>)	-	(<u>1,411</u>)	-
	<u>\$ 66,311</u>	<u>9</u>	<u>\$ 283,628</u>	<u>24</u>	<u>\$ 131,179</u>	<u>10</u>	<u>\$ 555,494</u>	<u>24</u>
EARNINGS PER SHARE (Note 21)								
Basic earnings per share	<u>\$ 0.59</u>		<u>\$ 3.09</u>		<u>\$ 1.08</u>		<u>\$ 6.59</u>	
Diluted earnings per share	<u>\$ 0.58</u>		<u>\$ 3.03</u>		<u>\$ 1.07</u>		<u>\$ 6.41</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)

	Equity Attributable to Owners of the Parent						Other Equity Interests				Non-controlling 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	Unearned Employee Benefits	Total			Total
			Legal Reserve	Special Reserve	Unappropriated Earnings								
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 six months ended June 30, 2022	-	-	-	-	575,431	575,431	-	-	-	-	575,431	(1,425)	574,006
Other comprehensive income (loss) for the six months ended June 30, 2022	-	-	-	-	-	-	1,794	(20,320)	-	(18,526)	(18,526)	14	(18,512)
Total comprehensive income (loss) for the six months ended June 30, 2022	-	-	-	-	575,431	575,431	1,794	(20,320)	-	(18,526)	556,905	(1,411)	555,494
Capital increase by cash	350,000	2,536,800	-	-	-	-	-	-	-	-	2,886,800	-	2,886,800
Compensation cost of employee share options	-	6,959	-	-	-	-	-	-	-	-	6,959	-	6,959
BALANCE, JUNE 30, 2022	\$ 1,163,405	\$ 2,888,314	\$ 145,127	\$ 25,722	\$ 990,061	\$ 1,160,910	(\$ 5,360)	(\$ 38,888)	\$ -	(\$ 44,248)	\$ 5,168,381	\$ 257	\$ 5,168,638
BALANCE, JANUARY 1, 2023	\$ 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
Distribution of 2022 earnings													
Legal reserve	-	-	89,983	-	(89,983)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	50,052	(50,052)	-	-	-	-	-	-	-	-
Cash dividends -NT\$ 5.0 per share	-	-	-	-	(586,702)	(586,702)	-	-	-	-	(586,702)	-	(586,702)
Profit (Loss) for the six months ended June 30, 2023	-	-	-	-	126,597	126,597	-	-	-	-	126,597	(737)	125,860
Other comprehensive income (loss) for the six months ended June 30, 2023	-	-	-	-	-	-	764	4,484	-	5,248	5,248	71	5,319
Total comprehensive income (loss) for the six months ended June 30, 2023	-	-	-	-	126,597	126,597	764	4,484	-	5,248	131,845	(666)	131,179
Employee share options issued by the Company	5,500	16,280	-	-	-	-	-	-	-	-	21,780	-	21,780
Compensation cost of employee share options	-	4,228	-	-	-	-	-	-	-	-	4,228	-	4,228
Compensation cost of employee restricted shares	-	-	-	-	-	-	-	-	26,921	26,921	26,921	-	26,921
BALANCE, JUNE 30, 2023	\$ 1,178,905	\$ 2,998,063	\$ 235,110	\$ 75,774	\$ 714,317	\$ 1,025,201	(\$ 3,709)	(\$ 66,817)	(\$ 54,162)	(\$ 124,688)	\$ 5,077,481	(\$ 1,707)	\$ 5,075,774

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 Six Months Ended	
	June 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 169,736	\$ 727,868
Adjustments for:		
Depreciation expense	14,678	10,434
Amortization expense	2,180	1,479
Net loss on financial instruments at fair value through profit or loss	52	-
Finance costs	38	1,720
Interest income	(33,215)	(2,440)
Compensation costs of employee share options	31,149	6,959
Loss on decline in market value and obsolete and slow-moving inventories	34,312	-
Unrealized gain on foreign currency exchange	(29,111)	(112,472)
Changes in operating assets and liabilities:		
Notes receivable	131	18,325
Accounts receivable	(102,365)	(34,728)
Other receivables	(4,698)	4,766
Inventories	27,858	(173,285)
Other current assets	(8,404)	(51,343)
Notes payable	(3,828)	(37,287)
Accounts payable	50,726	107,791
Other payables	(65,776)	56,641
Other current liabilities	(3,215)	8,258
Net cash inflows generated from operating activities	80,248	532,686
Interest received	29,420	4,953
Interest paid	(38)	(1,751)
Income taxes paid	(127,775)	(116,076)
Net cash generated from / (used in) operating activities	(18,145)	419,812
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from acquisition of financial assets at amortized cost	(2,435,609)	(367,042)

(Continued)

Advanced Power Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Six Months Ended	
	June 30	
	2023	2022
Proceeds from disposal of financial assets at amortized cost	\$2,087,208	\$ 383,057
Proceeds from acquisition of financial assets at fair value through profit or loss	(8,000)	-
Acquisition of property, plant and equipment	(15,697)	(3,829)
Increase in refundable deposits	(631)	(320,827)
Payments for intangible assets	(433)	(250)
Decrease in other non-current assets	35,335	24,848
Increase in prepayments for equipment	-	(4,681)
Net cash used in investing activities	<u>(337,827)</u>	<u>(288,724)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	-	(270,000)
Increase in long-term loans	-	(7,700)
Repayment of the principal portion of lease liabilities	(1,763)	(888)
Cash dividends paid	-	(488,043)
Capital increase by cash	-	2,886,800
Proceeds from exercise of employee share options	<u>21,780</u>	<u>-</u>
Net cash generated from financing activities	<u>20,017</u>	<u>2,120,169</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS		
	<u>1,741</u>	<u>44,472</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	(334,214)	2,295,729
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		
	<u>684,839</u>	<u>693,779</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
	<u>\$ 350,625</u>	<u>\$2,989,508</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 SIX MONTHS ENDED JUNE 30, 2023 AND 2022

(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.

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 August 1, 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. New IFRSs issued by International Accounting Standards Board (“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

New IFRSs	Effective Date Announced by IASB (Note 1)
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
Amendments to IAS7 and IFRS7 “Supplier Finance Arrangements”	January 1, 2024
Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”	(Note 3)

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

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

Note 3: The requirement that the Group applies the exception and the requirement to disclose that fact is applied immediately upon issuance of the amendments and retrospectively in accordance with IAS 8. The remaining disclosure requirements are applied for annual reporting periods beginning on or after January 1, 2023, but not for any interim period ending on or before December 31, 2023.

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, 2022.

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, 2022.

6. CASH AND CASH EQUIVALENTS

	June 30, 2023	December 31, 2022	June 30, 2022
Cash on hand and revolving funds	\$ 131	\$ 132	\$ 132
Bank check and demand deposit	163,566	240,400	350,848
Cash equivalents (investments with the original expiration date within 3 months)			
Bank time deposit	-	162,763	488,356
Repurchase agreements collateralized by bonds	<u>186,928</u>	<u>281,544</u>	<u>2,150,172</u>
	<u>\$ 350,625</u>	<u>\$ 684,839</u>	<u>\$2,989,508</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2023	December 31, 2022	June 30, 2022
Non-current			
Domestic listed stocks (emerging stock market)	\$ 24,025	\$ 24,108	\$ -
Domestic unlisted stocks	-	-	27,500
Mutual Fund	<u>8,031</u>	<u>-</u>	<u>-</u>
	<u>\$ 32,056</u>	<u>\$ 24,108</u>	<u>\$ 27,500</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments at FVTOCI

	June 30, 2023	December 31, 2022	June 30, 2022
Non-current			
Domestic listed stocks	\$ 60,462	\$ 58,478	\$ -
Domestic listed stocks- private placement	25,171	26,313	35,617
Domestic listed stocks (emerging stock market)	34,011	30,369	-
Domestic unlisted stocks	8,348	8,348	15,304
Foreign unlisted stocks	<u>17,198</u>	<u>16,961</u>	<u>19,286</u>
	<u>\$ 145,190</u>	<u>\$ 140,469</u>	<u>\$ 70,207</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

	June 30, 2023	December 31, 2022	June 30, 2022
Current			
Investments with the original expiration date over 3 months			
Bank time deposit	\$2,866,816	\$2,596,010	\$ 308,593
Repurchase agreements collateralized by bonds	<u>93,420</u>	<u>-</u>	<u>78,548</u>
	<u>\$2,960,236</u>	<u>\$2,596,010</u>	<u>\$ 387,141</u>
Non-current			
Pledged deposit certificate	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>

Further details regarding pledged assets are provided in note 26.

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

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Notes receivable</u>			
From operating	\$ 9,612	\$ 9,743	\$ 12,354
Less: Allowance for impairment loss	(<u>127</u>)	(<u>127</u>)	(<u>127</u>)
	<u>\$ 9,485</u>	<u>\$ 9,616</u>	<u>\$ 12,227</u>
 <u>Accounts receivable</u>			
At amortized cost	\$ 827,016	\$ 713,061	\$1,092,715
Less: Allowance for impairment loss	(<u>7,491</u>)	(<u>7,528</u>)	(<u>7,619</u>)
	<u>\$ 819,525</u>	<u>\$ 705,533</u>	<u>\$1,085,096</u>
 <u>Doubtful receivable</u>			
At amortized cost	\$ 1,327	\$ 1,327	\$ 1,327
Less: Allowance for impairment loss	(<u>1,327</u>)	(<u>1,327</u>)	(<u>1,327</u>)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 <u>Other receivable</u>			
Tax refund receivable	\$ 28,266	\$ 25,551	\$ 29,213
Earned revenue receivable	22,508	12,620	1,573
Others	<u>1,060</u>	<u>5,170</u>	<u>8,255</u>
	<u>\$ 51,834</u>	<u>\$ 43,341</u>	<u>\$ 39,041</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:

June 30, 2023

	Not Past Due	Overdue			Total
		1 to 90 days	91 to 180 days	Over 180 days	
Gross carrying amount	\$ 822,051	\$ 3,735	\$ -	\$ 1,230	\$ 827,016
Loss allowance (Lifetime ECL)	(2,526)	(3,735)	-	(1,230)	(7,491)
Amortized cost	<u>\$ 819,525</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 819,525</u>

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>

June 30, 2022

	Not Past Due	Overdue			Total
		1 to 90 days	91 to 180 days	Over 180 days	
Gross carrying amount	\$ 1,088,295	\$ 3,145	\$ -	\$ 1,275	\$ 1,092,715
Loss allowance (Lifetime ECL)	(3,199)	(3,145)	-	(1,275)	(7,619)
Amortized cost	<u>\$ 1,085,096</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,085,096</u>

Movements of allowance for accounts receivable were as follows:

	For the Six Months Ended June 30	
	2023	2022
Beginning balance	\$ 7,528	\$ 7,482
Reclassification	-	107
Effect of exchange rate changes	(37)	30
Ending balance	<u>\$ 7,491</u>	<u>\$ 7,619</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 Six Months Ended June 30	
	2023	2022
Beginning balance	\$ 1,327	\$ 1,434
Reclassification	-	(107)
Ending balance	<u>\$ 1,327</u>	<u>\$ 1,327</u>

11. INVENTORIES

	June 30, 2023	December 31, 2022	June 30, 2022
Raw materials	\$ 46,375	\$ 62,985	\$ 85,824
Work in process	491,668	496,209	497,010
Finished goods	<u>272,438</u>	<u>313,432</u>	<u>189,643</u>
	<u>\$ 810,481</u>	<u>\$ 872,626</u>	<u>\$ 772,477</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 June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Cost of goods sold	\$ 532,441	\$ 724,419	\$ 1,008,359	\$ 1,423,922
Write-down of inventories	<u>27,366</u>	<u>-</u>	<u>34,312</u>	<u>-</u>
	<u>\$ 559,807</u>	<u>\$ 724,419</u>	<u>\$ 1,042,671</u>	<u>\$ 1,423,922</u>

12. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2023	December 31, 2022	June 30, 2022
Land	\$ 142,643	\$ 141,425	\$ 139,695
Buildings	257,993	258,643	258,216
Machinery and Equipment	14,315	14,026	12,869
Computer Communication Equipment	895	1,151	1,458
Office Equipment	32,083	35,456	12,861
Other equipment	<u>12,385</u>	<u>7,554</u>	<u>5,637</u>
	<u>\$ 460,314</u>	<u>\$ 458,255</u>	<u>\$ 430,736</u>

Except for the recognized depreciation, the Group did not have significant additions or disposals or impairment of property, plant and equipment during the six months ended June 30, 2023 and 2022.

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 provided in Note 26.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2023	December 31, 2022	June 30, 2022
Carrying amounts			
Transportation equipment	<u>\$ 7,223</u>	<u>\$ 7,196</u>	<u>\$ 6,973</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Additions to right-of-use assets			<u>\$ 1,783</u>	<u>\$ 5,950</u>
Depreciation of right-of-use assets	<u>\$ 952</u>	<u>\$ 537</u>	<u>\$ 1,756</u>	<u>\$ 838</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 six months ended June 30, 2023 and 2022.

b. Lease liabilities

	June 30, 2023	December 31, 2022	June 30, 2022
Carrying amounts			
Current	<u>\$ 3,847</u>	<u>\$ 3,244</u>	<u>\$ 2,641</u>
Non-current	<u>\$ 3,371</u>	<u>\$ 3,954</u>	<u>\$ 4,337</u>

Range of discount rate for lease liabilities were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Transportation equipment	0.92%~1.73%	0.92%~1.03%	0.92%~1.03%

c. Other lease information

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Expenses related to short-term leases	<u>\$ 597</u>	<u>\$ 595</u>	<u>\$ 1,147</u>	<u>\$ 1,148</u>
Expenses related to low-value asset leases	<u>\$ 40</u>	<u>\$ 25</u>	<u>\$ 67</u>	<u>\$ 49</u>
Total cash outflow for leases			<u>\$ 3,015</u>	<u>\$ 2,107</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

	June 30, 2023	December 31, 2022	June 30, 2022
Non-current			
Refundable deposits	\$ 363,623	\$ 358,050	\$ 345,797

	June 30, 2023	December 31, 2022	June 30, 2022
Long-term pre-payment for purchase	145,429	180,764	212,136
Pre-payment for equipment	<u>-</u>	<u>722</u>	<u>4,681</u>
	<u>\$ 509,052</u>	<u>\$ 539,536</u>	<u>\$ 562,614</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 US\$ 11,520 thousand deposit as capacity guarantee and will be refunded in accordance with the contract.

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
			June 30, 2023	December 31, 2022	June 30, 2022	
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%	Note 1
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 to make up for its deficits. The capital reduction ratio was 50%.

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

16. BORROWINGS

Long-term borrowings

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Secured loans (Note 26)</u>			
– Mortgaged loans	\$ -	\$ -	\$ 136,481
Less: Current portion	<u>-</u>	<u>-</u>	<u>(15,413)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,068</u>
Interest rate range	-	-	1.27%~1.31%

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 repaid the loan in advance in August and October 2022, respectively.

17. OTHER PAYABLES

	June 30, 2023	December 31, 2022	June 30, 2022
Dividend Payable	\$ 587,533	\$ 831	\$ 831
Payable for remunerations of employees and directors	128,157	172,695	195,817
Payable for salaries and rewards	26,361	37,737	23,144
Payables on equipment	3,947	5,383	3,798
Payable for professional fee	884	1,310	1,774
Others	<u>18,707</u>	<u>28,025</u>	<u>37,307</u>
	<u>\$ 765,589</u>	<u>\$ 245,981</u>	<u>\$ 262,671</u>

18. EQUITY

a. Common stock

	June 30, 2023	December 31, 2022	June 30, 2022
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>117,891</u>	<u>117,341</u>	<u>116,341</u>
Shares issued	<u>\$ 1,178,905</u>	<u>\$ 1,173,405</u>	<u>\$ 1,163,405</u>

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

The change in the Group's capital is mainly due to issue common shares for capital injection in cash, the exercise of employee share options and restricted shares for employees.

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.

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

	June 30, 2023	December 31, 2022	June 30, 2022
<u>May be used to offset a deficit, distributed as cash Dividends, or transferred to share capital (1)</u>	\$2,807,058	\$2,780,784	\$2,780,784
Additional paid-in capital	68,367	68,367	68,367
Expired employee share option	12,728	12,728	12,728
Treasury stock transactions			
<u>May be used to offset a deficit only</u>	9	9	9
Unclaimed dividend			
<u>May not be used for any purpose</u>	19,992	25,758	18,817
Employee share option	82,300	82,300	-
Employee restricted shares	<u>7,609</u>	<u>7,609</u>	<u>7,609</u>
Change in percentage of ownership interest in subsidiaries (2)	<u>\$2,998,063</u>	<u>\$2,977,555</u>	<u>\$2,888,314</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, 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(e) 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 2022 and 2021 which have been resolved in the shareholders' meeting on May 18, 2023 and April 13, 2022, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (\$)</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Legal capital reserve	\$ 89,983	\$ 65,279		
Special capital reserve (reversal)	50,052			
Cash dividends to shareholders	586,702	488,043	\$ 5	\$ 6

19. NON-OPERATING INCOME AND EXPENSES

a. Other gains and losses, net

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Gain on foreign exchange	\$ 31,132	\$ 59,230	\$ 18,481	\$ 114,062
Loss on financial instruments at fair value through profit or loss	(1,226)	(-)	(52)	(-)
Others	(432)	(371)	(531)	(826)
	<u>\$ 29,474</u>	<u>\$ 58,859</u>	<u>\$ 17,898</u>	<u>\$ 113,236</u>

b. Finance costs

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Bank loans	\$ -	\$ 747	\$ -	\$ 1,647
Lease liabilities	22	14	38	22
Others	-	38	-	51
	<u>\$ 22</u>	<u>\$ 799</u>	<u>\$ 38</u>	<u>\$ 1,720</u>

c. Depreciation and amortization

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Property, plant and equipment	\$ 6,612	\$ 4,797	\$ 12,922	\$ 9,596
Right-of-use assets	952	537	1,756	838
Intangible assets	1,087	698	2,180	1,479
	<u>\$ 8,651</u>	<u>\$ 6,032</u>	<u>\$ 16,858</u>	<u>\$ 11,913</u>
Depreciation expense classified by function				
Operating cost	\$ 3,539	\$ 2,311	\$ 6,808	\$ 4,610
Operating expense	4,025	3,023	7,870	5,824
	<u>\$ 7,564</u>	<u>\$ 5,334</u>	<u>\$ 14,678</u>	<u>\$ 10,434</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Amortization expense classified by function				
Operating cost	\$ 54	\$ 79	\$ 107	\$ 140
Operating expense	<u>1,033</u>	<u>619</u>	<u>2,073</u>	<u>1,339</u>
	<u>\$ 1,087</u>	<u>\$ 698</u>	<u>\$ 2,180</u>	<u>\$ 1,479</u>

d. Employee benefits expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Short-term employee benefits	\$ 68,006	\$ 104,068	\$ 129,763	\$ 206,470
Post-employment benefits				
Defined contribution plans	1,853	1,698	3,588	3,332
Share-based Payment	15,090	3,477	31,149	6,959
Other employee benefits	<u>1,186</u>	<u>1,082</u>	<u>2,236</u>	<u>2,139</u>
	<u>\$ 86,135</u>	<u>\$ 110,325</u>	<u>\$ 166,736</u>	<u>\$ 218,900</u>
Classified by function				
Operating cost	\$ 10,576	\$ 9,755	\$ 20,342	\$ 19,075
Operating expense	<u>75,559</u>	<u>100,570</u>	<u>146,394</u>	<u>199,825</u>
	<u>\$ 86,135</u>	<u>\$ 110,325</u>	<u>\$ 166,736</u>	<u>\$ 218,900</u>

e. 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 three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, respectively, were as follows:

Estimated ratio

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Employees' compensation	12%	12%	12%	12%
Remuneration of directors	1.5%	1.5%	1.5%	1.5%

Amount

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Employees' compensation	<u>\$ 13,671</u>	<u>\$ 51,194</u>	<u>\$ 23,649</u>	<u>\$ 101,174</u>
Remuneration of directors	<u>\$ 1,709</u>	<u>\$ 6,400</u>	<u>\$ 2,956</u>	<u>\$ 12,647</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 2022 and 2021 approved by the Board of Directors on February 21, 2023 and February 24, 2022, respectively,

were as follows:

	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

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, 2022 and 2021.

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 Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Current income tax expense				
Current period	\$ 19,326	\$ 71,499	\$ 33,980	\$ 133,909
Additional income tax on unappropriated earnings	8,655	6,285	8,655	6,285
Prior years' adjustment	224	(370)	224	(370)
Deferred income tax expense				
Current period	<u>1,208</u>	<u>3,217</u>	<u>1,017</u>	<u>14,038</u>
Income tax expense recognized in profit or loss	<u>\$ 29,413</u>	<u>\$ 80,631</u>	<u>\$ 43,876</u>	<u>\$ 153,862</u>

- b. Income tax examination

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

	Year
APEC	2020
Green Power Semiconductor Co., Ltd.	2021

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Basic EPS and Diluted EPS				
Profit attributable to owners of the parent	<u>\$ 69,136</u>	<u>\$ 288,392</u>	<u>\$ 126,597</u>	<u>\$ 575,431</u>

Common Shares Outstanding (in thousands)

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2023	2022	2023	2022
Basic EPS				
Weighted average number of common shares	116,890	93,264	116,683	87,335
Effect of potential dilutive common shares:				
Employees' compensation	224	924	605	1,240
Employee share option	875	1,048	1,014	1,151
Employee restricted shares	<u>491</u>	<u>-</u>	<u>496</u>	<u>-</u>
Diluted EPS				
Profit attributable to owners of the parent	<u>118,480</u>	<u>95,236</u>	<u>118,798</u>	<u>89,726</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.

22. 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 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 the APEC, the exercise price will be adjusted according to the specified formula.

Information about employee share options was as follows:

	For the Six Months Ended June 30			
	2023		2022	
	No. of shares (in thousands)	Weighted- average exercise price	No. of shares (in thousands)	Weighted- average exercise price
Balance, beginning of Period	2,065	\$ 39.05	2,065	\$ 46.55
Options expired upon resignation	(30)	39.60	-	-
Options exercised	(550)	39.60	-	-
Balance, end of period	<u>1,485</u>	38.83	<u>2,065</u>	39.35
Options exercisable, end of period	<u>303</u>		<u>65</u>	

Information about outstanding options was as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Range of exercise price (\$)	\$22.10~\$39.60	\$22.10~\$39.60	\$22.30~\$39.90
Weighted-average remaining contractual life (years)	0.86~3.69	1.36~4.19	1.86~4.69

Compensation cost recognized was \$ 4,228 thousand and \$ 6,959 thousand for the six months ended June 30, 2023 and 2022, 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.

Restricted Rights of unvested Restricted shares for employees are as follows:

- 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 \$26,921 thousand for the six months ended June 30, 2023. As of June 30, 2023, the Company had recognized \$54,162 thousand as unearned employee compensation, which were recorded under other equity.

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

June 30, 2023

	<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)	\$ 24,025	\$ -	\$ -	\$ 24,025
– Mutual funds	<u>8,031</u>	<u>-</u>	<u>-</u>	<u>8,031</u>
total	<u>\$ 32,056</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,056</u>
<u>Financial assets at FVTOCI</u>				
Equity instruments				
– Domestic listed stocks	\$ 60,462	\$ 25,171	\$ -	\$ 85,633
– Domestic listed stocks (emerging stock market)	34,011	-	-	34,011
– Foreign / Domestic unlisted stocks	<u>-</u>	<u>-</u>	<u>25,546</u>	<u>25,546</u>
total	<u>\$ 94,473</u>	<u>\$ 25,171</u>	<u>\$ 25,546</u>	<u>\$ 145,190</u>

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)	<u>\$ 24,108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,108</u>
<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	<u>-</u>	<u>-</u>	<u>25,309</u>	<u>25,309</u>
total	<u>\$ 88,847</u>	<u>\$ 26,313</u>	<u>\$ 25,309</u>	<u>\$ 140,469</u>

June 30, 2022

	<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	\$ -	\$ 35,617	\$ -	\$ 35,617
– Foreign / Domestic unlisted stocks	<u>-</u>	<u>-</u>	<u>34,590</u>	<u>34,590</u>
total	<u>\$ -</u>	<u>\$ 35,617</u>	<u>\$ 34,590</u>	<u>\$ 70,207</u>

There was no transfer between the fair value measurements of Levels 1 and 2 for the six months ended June 30, 2023, and 2022.

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

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 32,056	\$ 24,108	\$ 27,500
Financial assets measured at amortized cost (Note1)	4,557,328	4,399,389	4,860,810
Financial assets at fair value through other comprehensive income-Equity instruments	145,190	140,469	70,207
<u>Financial liabilities</u>			
Financial liabilities measured at amortized cost (Note 2)	1,121,381	550,431	1,130,327

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

Note2: The balances comprise 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 decreased/increased by \$77,747 thousand and \$86,658 thousand for the six months ended June 30, 2023 and 2022, 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:

	June 30, 2023	December 31, 2022	June 30, 2022
Fair value interest rate risk			
Financial assets	\$2,796,444	\$ 2,681,117	\$3,027,649
Financial liabilities	7,218	7,198	6,978
Cash flow interest rate risk			
Financial assets	516,255	601,584	350,780
Financial liabilities	-	-	136,481

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 \$1,291 thousand and \$536 thousand for the six months ended June 30, 2023 and 2022, 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.

June 30, 2023

	Contractual Cash Flows or within a year	1-5 Years	More Than 5 Years
<u>Non-derivative financial liabilities</u>			
Notes payable	\$ 25	\$ -	\$ -
Accounts payable	355,767	-	-
Other payables	765,589	-	-

	Contractual Cash Flows or within a year	1-5 Years	More Than 5 Years
Lease liabilities	3,907	3,395	-
	<u>\$ 1,125,288</u>	<u>\$ 3,395</u>	<u>\$ -</u>
<u>December 31, 2022</u>			
	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>
<u>June 30, 2022</u>			
	Contractual Cash Flows or within a year	1-5 Years	More Than 5 Years
<u>Non-derivative financial liabilities</u>			
Long-term borrowings	\$ 17,075	\$ 67,046	\$ 60,113
Notes payable	41	-	-
Accounts payable	731,134	-	-
Other payables	262,671	-	-
Lease liabilities	2,695	4,370	-
	<u>\$ 1,013,616</u>	<u>\$ 71,416</u>	<u>\$ 60,113</u>
b). Financing facilities			
	June 30, 2023	December 31, 2022	June 30, 2022
Unsecured loans			
(Renew by every year)			
— Unused amount	<u>\$ 500,000</u>	<u>\$ 800,000</u>	<u>\$ 620,000</u>
Secured loans			
— Used amount	\$ -	\$ -	\$ 157,970
— Unused amount	<u>180,000</u>	<u>180,000</u>	<u>180,000</u>
	<u>\$ 180,000</u>	<u>\$ 180,000</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. Details of transactions between the Group and other related parties are disclosed below.

a. Related party name and nature of relationship

<u>Related Party</u>	<u>Nature of Relationship</u>
XSemiconductor Corporation	Investors with significant influence
Hon Young Semiconductor Co., Ltd.	Substantive related party

b. Sales of goods

<u>Account</u>	<u>Related Party Categories</u>	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Sales Revenue	Investors with significant influence	\$ 1,236	\$ -	\$ 1,236	\$ -

c. Purchases of goods

<u>Related Party Categories</u>	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Substantive related party	\$ 498	\$ -	\$ 531	\$ -

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

<u>Account</u>	<u>Related Party Categories</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Accounts receivable	Investors with significant influence	\$ 1,316	\$ -	\$ -
Other receivable	Investors with significant influence	35	48	-
		<u>\$ 1,351</u>	<u>\$ 48</u>	<u>\$ -</u>

e. Payables to related parties

<u>Account</u>	<u>Related Party Categories</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Accounts payables	Substantive related party	\$ 511	\$ -	\$ -

f. Others

<u>Account</u>	<u>Related Party Categories</u>	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Other income	Investors with significant influence	\$ 164	\$ -	\$ 276	\$ -

g. Compensation of key management personnel

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 24,708	\$ 34,378	\$ 46,808	\$ 63,079
Post-employment benefits	135	135	270	270
	<u>\$ 24,843</u>	<u>\$ 34,513</u>	<u>\$ 47,078</u>	<u>\$ 63,349</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 and customs declaration:

	June 30, 2023	December 31, 2022	June 30, 2022
Pledged deposit certificate (Financial assets at amortized cost-Non-current)	\$ 2,000	\$ 2,000	\$ 2,000
Land	61,590	61,590	139,695
Buildings	<u>141,406</u>	<u>187,521</u>	<u>258,216</u>
	<u>\$ 204,996</u>	<u>\$ 251,111</u>	<u>\$ 399,911</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:

June 30, 2023

	<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	\$ 58,531	31.140 (USD:NTD)	\$ 1,822,655
RMB	15,378	4.282 (RMB:NTD)	65,849
USD	18	7.272 (USD:RMB)	561
			<u>\$ 1,889,065</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	10,102	31.140 (USD:NTD)	\$ 314,576
USD	628	7.272 (USD:RMB)	19,556
			<u>\$ 334,132</u>

December 31, 2022

	<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	\$ 59,710	30.710(USD:NTD)	\$ 1,833,694
RMB	12,990	4.408(RMB:NTD)	57,260
USD	90	6.967(USD:RMB)	2,764
			<u>\$ 1,893,718</u>

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<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>

June 30, 2022

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 78,251	29.720 (USD:NTD)	\$ 2,325,620
USD	90	6.695 (USD:RMB)	2,675
RMB	11,163	4.439 (RMB:NTD)	<u>49,553</u>
			<u>\$ 2,377,848</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	20,964	29.720 (USD:NTD)	\$ 623,050
USD	728	6.695 (USD:RMB)	<u>21,636</u>
			<u>\$ 644,686</u>

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

For the Three Months Ended June 30				
2023			2022	
Foreign Currency	Exchange rate	Net exchange profits or losses	Exchange rate	Net exchange profits or losses
USD	30.705 (USD:NTD)	\$ 33,320	29.455 (USD:NTD)	\$ 59,856
RMB	4.374 (RMB:NTD)	(<u>2,232</u>)	4.446 (RMB:NTD)	(<u>667</u>)
		<u>\$ 31,088</u>		<u>\$ 59,189</u>

For the Six Months Ended June 30				
2023			2022	
Foreign Currency	Exchange rate	Net exchange profits or losses	Exchange rate	Net exchange profits or losses
USD	30.550 (USD:NTD)	\$ 20,325	28.725(USD:NTD)	\$ 113,352
RMB	4.408 (RMB:NTD)	(<u>1,895</u>)	4.426(RMB:NTD)	<u>668</u>
		<u>\$ 18,430</u>		<u>\$ 114,020</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 SIX MONTHS ENDED JUNE 30, 2023****(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	June 30, 2023			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	\$ 25,171	1	\$ 25,171
	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	30,752	-	30,752
	Fubon Financials' Class B Preferred Shares	-	Financial assets at fair value through other comprehensive income –Non-Current	496	29,710	-	29,710
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	17,198	13	17,198
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	24,025	-	24,025
	Micro Silicon Electronics Corp.	-	Financial assets at fair value through other comprehensive income –Non-Current	915	34,011	1	34,011
	<u>Mutual funds</u> Fubon Chi-Hsiang Money Market Fund		Financial assets at fair value through profit or loss – Non-Current	502	8,031	-	8,031

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.

Advanced Power Electronics Co., Ltd. and its subsidiaries

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2023**

(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	\$ 9,897	Note 4	1
				Receivables from related parties	3,997	Note 4	-
				Prepayments	18,388	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.

Note 3: 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 SIX MONTHS ENDED JUNE 30, 2023

(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 June 30, 2023			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				June 30, 2023	December 31, 2022	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	\$ 19,135	(\$ 558)	(\$ 558)	
	Perfect Prime Limited	Samoa	General investment	14,540 USD 450	14,540 USD 450	450	100	864	(4,147)	(4,147)	
	Green Power Semiconductor Co., Ltd.	Taiwan	Trading	100,000	100,000	1,715	87.96	(12,472)	(6,125)	(5,388)	
	Fuhong Investment Co., Ltd.	Taiwan	General investment	80,000	80,000	8,000	100	70,158	(56)	(56)	

TABLE 4

Advanced Power Electronics Co., Ltd. and its subsidiaries

**INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2023**

(Amounts in Thousands of New Taiwan Dollars and US Dollars)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (US\$ in Thousands)	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2023 (US\$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2023 (US\$ in Thousands)	Net Income (Losses) of the Investee Company (US\$ in Thousands)	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of June 30, 2023	Accumulated Inward Remittance of Earnings as of June 30, 2023	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	\$ 13,702 USD 440	(2)A	\$ 13,702 USD 440	\$ -	\$ -	\$ 13,702 USD 440	(\$ 4,148) (USD 136)	100%	(\$ 4,148) (USD 136)	\$ 704 USD 23	\$ -	
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	(\$ 6,009)	100%	(\$ 6,009)	(\$ 20,145)	\$ -	

Accumulated Investment in Mainland China as of June 30, 2023 (US\$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on Investment (Note 2)
\$77,468	\$77,468	\$3,046,489

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: 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\$31.140 and US\$ US\$ 1=NT\$30.550 as of June 30, 2023.

Advanced Power Electronics Co., Ltd. and its subsidiaries

**SIGNIFICANT INTERCOMPANY TRANSACTIONS AND RELATED INFORMATION ON INVESTEEES IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2023**

(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	(\$9,897)	Note 1	EOM 60 days	Equivalent to	\$ 3,997	-	\$ -	

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
JUNE 30, 2023

Name of Major Stockholder	Shares	
	Number of Shares	Percentage of Ownership (%)
XSemi Corporation	35,000,000	29.69%