

**TWES:8261**  
2023 Annual Report

# Advanced Power Electronics Co., Ltd

富鼎先進電子股份有限公司

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Taiwan Stock Exchange Observation Post System: <https://mops.twse.com.tw>  
Annual report is available at : <https://www.a-power.com.tw>  
Printed on April 18, 2024

<b>Spokesperson</b>	Chia-Shuai Chang President Tel: +886-3-621-5899 Email: investinfo@a-power.com.tw
<b>Acting Spokesperson</b>	Mei-Ying Tan Vice President of Finance & HR Administration Division Tel: +886-2-2697-1299 Email: investinfo@a-power.com.tw
<b>Company Information</b>	<b>Headquarters</b> 12F, No.5, Taiyuan 1st St., Zhubei City, Hsinchu County, 30265, Taiwan, R.O.C. Tel: +886-3-621-5899 <b>Taipei office</b> 17F-8, No. 95, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City, 22175, Taiwan, R.O.C. Tel: +886-2-2697-1299
<b>Stock Transfer Agent</b>	Yuanta Securities Co., Ltd. Registrar & Transfer Agency Department B1F, No. 210, Sec. 3, Chengde Rd., Datong Dist., Taipei, 10366, Taiwan, R.O.C. Tel: +886-2-2586-5859 Website: <a href="https://www.yuanta.com.tw">https://www.yuanta.com.tw</a>
<b>Auditor</b>	Deloitte & Touche CPA: Chien-Liang Liu, Wen-Chin Lin 20F, No. 100, Songren Rd., Xinyi Dist., Taipei 11073, Taiwan, R.O.C. Tel: +886-2-2525-9988 Website: <a href="https://www.deloitte.com.tw">https://www.deloitte.com.tw</a>
<b>Listing of Foreign Securities</b>	None
<b>Corporate Website</b>	<a href="https://www.a-power.com.tw">https://www.a-power.com.tw</a>

Disclaimer

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

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# **1. Letter to Shareholders**

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# Letter to Shareholders

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## Business Report

Dear Shareholders:

Thank you for taking the time to participate in the 2024 Shareholders Meeting. The consolidated revenues for 2023 was NT\$2.851 billion, which is a decrease of 27.10% compared to 2022; the net profit was NT\$330 million, and earnings per share of NT\$2.83. The 2023 business plan implementation outcome and this year's business plan are described as follows:

### I. 2023 Business Outcome

#### (1) Business plan implementation outcome

In 2023, the global Semiconductor Industry encountered a myriad of intricate challenges. Primarily, underperformance in end-market applications, compounded by prolonged inventory adjustment periods, ensued. Concurrently, the escalating tensions in the US-China tech conflict further exacerbated the overarching uncertainty prevailing in the global operational landscape, imparting multifaceted impacts and trials to both internal and external business operations. Collectively, owing to a marked reversal in market demand, the consolidated operating revenue, gross profit, and post-tax net earnings for the Company and its subsidiaries for the 2023 were NT\$2,851 million, NT\$745 million, NT\$330 million, and earnings per share after tax were NT\$2.83, respectively, which is representing significant decreases compared to 2022.

#### (2) Budget implementation

The Company and its subsidiaries did not formulate external financial forecasts for 2023.

#### (3) Financial income, expenditure and profitability analysis

In Thousands of New Taiwan Dollars

Item		2023
Financial income and expenditure	Operating revenues	2,851,162
	Gross profit from operations	745,015
	Net profit	329,666
	Net profit attributable to owners of the parent	330,426
Profitability	Return on assets (%)	5.46
	Return on equity (%)	6.11
	Pre-tax income as a % of paid-in capital	33.45
	Net income margin (%)	11.56
	Earnings per share (NT\$)	2.83

#### **(4) Research and Development**

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

## **II. Summary of the 2024 Business Plan**

### **(1) Management guideline**

The Company and its subsidiaries provide a full range of high, low, and medium voltage Power MOSFETs. Due to the underperformance of the end-market applications, the Company has been proactively managing the procurement and liquidation of inventory to meet customer demands. The Company and its subsidiaries will continue to develop new products to optimize the product portfolio, thereby expanding the operational scale and creating corporate profits.

### **(2) Sales volume basis and expectation**

The main business scope of the Company and its subsidiaries is research, development, production, testing and sales of Power MOSFETs. Power MOSFETs are widely used in almost all electrical and electronic systems, such as automotive, consumer electronics, industrial automation and other related fields, including personal computers, switching power supplies, fan/motor drives, battery management systems, etc. The Company and its subsidiaries are expecting the annual sales volume in 2024 to reach 8.9 billion pieces.

### **(3) Key production and marketing policies**

Due to the slack in consumer electronics end-market demand, global semiconductor is faced with serious excess inventory problems. In response, the Company and its subsidiaries have collaborated with manufacturers to maintain production capacity and effectively reduce costs through destocking so that supply–demand stabilization can be achieved, the quality of services provided by the Company and its subsidiaries can be guaranteed, and the Company's overall market share can be maintained and continuously enhanced. Through cooperation with our major shareholder, Xsemi Corporation, as well as leveraging resources from the Foxconn Group and Yageo Group, the Company's R&D energy has been greatly boosted. Moreover, diversified collaboration in product design, process upgrades, and sales channel improvement has been initiated, setting the foundation to establish a complete upstream–downstream semiconductor industry chain that will help the Company and its subsidiaries accelerate its

entry into the electric vehicle application market, further improve the domestic content rate for electric vehicle key power products, and add new momentum for the Company's growth.

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

In the face of the rapid industry reversal and demand adjustments in 2023, the Company's operational pressure has significantly increased. However, both the Company and its subsidiaries fully leverage Taiwan's well-established Semiconductor Industry ecosystem to effectively manage inventory in response to market changes.

We anticipate that the industry headwinds will persist in 2023, and in light of the challenges posed by climate change, it is imperative for us to fully internalize our core culture and to develop execution strategies as a team in various contexts. This approach will enable us to address both the opportunities and risks brought about by climate change, while balancing short-term performance and creating long-term sustainable value and resilience for the Company.

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

Chairman

Tie-Min Chen

Manager

Chia-Shuai Chang

Chief Accounting Officer

Mei-Ying Tan

## **2. Company Profile**

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1. Date of Incorporation
2. Company Milestones

# Company Profile

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## 1. Date of Incorporation

The Company was officially established on July 17, 1998.

## 2. Company Milestones

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

(1) Merger and Acquisitions: None.

(2) Investments in Affiliated Enterprises: For more details, please also see Chapter 8 Section 1. “Affiliated Companies in 2023.”

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

None.

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

1. The Company held a comprehensive election for the 10th Board of Directors at the Shareholders' Meeting on May 18, 2023. The members of the 10th board include Mr. Tie-Min Chen, founder and chairman of Yageo Group, Mr. Fu-Chi Teng, representative of Future Technology Consulting, Inc., Mr. Chia-Shuai Chang, representative of XSemi Corporation, which holds a 29.49% stake in the company, and Mr. Ying-Shis Huang.

In addition, the independent directors have been re-elected for three consecutive terms. In response to the future business development needs of the Company, relevant independent directors with expertise in specific fields have been introduced to assist the Company. These changes have not had a significant impact on the Company's financial operations.

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

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

The Company held a comprehensive election of the 10th Board of Directors at the Shareholders' Meeting on May 18, 2023. The turnover of directors exceeded half of the original board members. Mr. Tie-Min Chen was elected as the chairman and Mr. Fu-Chi Teng as the vice chairman, following the recommendation of all board members. Furthermore, Mr. Lin-Chung Huang, the former General Manager, stepped down on November 1, 2023, and was succeeded by Mr. Chia-Shuai Chang, the representative of XSemi Corporation. These changes constitute significant shifts in the Company's management; however, they did not have a substantial impact on financial operations.

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

None.

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

None.

## **3. Corporate Governance Report**

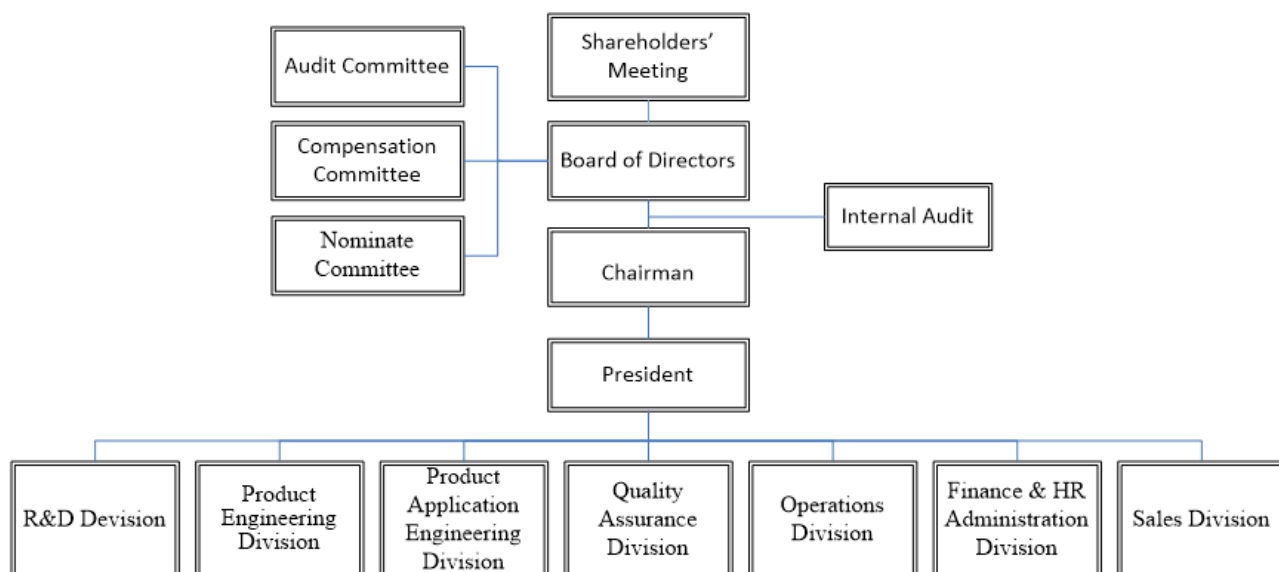
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1. Organization Structure
2. Directors, President, Vice Presidents, Senior Directors and Department Heads
3. 2023 Compensation of Directors, President, Vice Presidents, and Other Management Officers
4. Corporate Governance
5. Certified Public Accountant (CPA) Professional Fees
6. Change of CPA
7. Audit Independence for the Most Recent Year
8. Shareholding Changes of Directors, Management, and Major Shareholders for the Most Recent Year and up to the Publication Date of This Annual Report
9. Relationship Among Top Ten Shareholders
10. Comprehensive Shareholding Information Relating to Company, Directors, Management, and Companies Affiliated through Direct and Indirect Investments

# Corporate Governance Report

## 1. Organization Structure

### 1.1 Organization Chart



### 1.2 Principal Lines of Business

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

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

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

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

### 2.1 Directors

#### (1). Director Profile

Title	Nationality/C ountry of Origin	Name	Gender /Age	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
							Shares	%	Shares	%	Shares	%	Shares	%
Chairman	R.O.C.	Tie-Min Chen	Male/ 61~70	May 18, 2023	3	May 18, 2023	—	—	—	—	—	—	—	—
Vice Chairman	R.O.C.	Future Technology Consulting, Inc.	—	May 18, 2023	3	June 8, 2000	3,084,899	2.60	3,169,899	2.67	—	—	—	—
	R.O.C.	Representative: Fu-Chi Teng	Male/ 61~70	May 18, 2023	3	June 8, 2000	—	—	2,091,694	1.76	—	—	—	—
Director	R.O.C.	XSemi Corporation	—	May 18, 2023	3	May 18, 2023	35,000,000	29.49	35,000,000	29.49	—	—	—	—
	R.O.C.	Representative: Chia-Shuai Chang	Male/ 51~60	May 18, 2023	3	May 18, 2023	—	—	—	—	—	—	—	—

As of March 31, 2024

Main working (education) experience	Concurrent positions in the Company and other companies	Officer or director is a spouse or consanguineous within two degree			Remark
		Title	Name	Relation	
Honorary Doctorate of Management, National Sun Yat-sen University Bachelor degree of Engineering Science, National Cheng Kung University Founder and Chairman of Yageo Group Chairman of Tong Hsing Electronic Industries, Ltd. Chairman of XSEMI Corporation Chairman of Kuo-Shin Investment Co., Ltd.	Chairman of YAGEO Corporation Chairman of Tong Hsing Electronic Ind., Ltd. Chairman of XSEMI Corporation Chairman of Kuo-Shin Investment Co., Ltd.	—	—	—	—
—	—	—	—	—	—
Executives Program, Graduate School of Business Administration, National Chengchi University Chairman of Advanced Power Electronics Co., Ltd. Chairman of Tainet Communication System Corp.	Chief Operating Officer of Advanced Power Electronics Co., Ltd. Chairman of Future Technology Consulting, Inc. Representative of Juridical person director, Tainet Communication System Corp. Representative of juridical person director, Future Technology Consulting (B.V.I.), Inc. Representative of juridical person director, Perfect Prime Ltd. (SAMOA) Representative of juridical person chairman and general manager, Green Power Semiconductor Co., Ltd. President and Representative of juridical person director, OPC Microelectronics Co., Ltd. Representative of juridical person director, Fuhong Investment Co., Ltd. Independent Director of Technology Unlimited Corp. Director of Data Image Corporation Independent Director of Caswell, Inc. Representative of juridical person chairman, St. John's star Venture Capital Co., Ltd. Director of Nccu Star Venture Capital Co., Ltd. Director of Ntust Star Venture Capital Co., Ltd. Representative of juridical person chairman of Chengchi of Star Venture Capital Co., Ltd.	—	—	—	—
—	—	—	—	—	—
Doctor degree in Physics of National Tsing Hua University President of Tong Hsing Electronic Industries, Ltd. Vice President of Impac Technology Co., Ltd. Manager of R&D Department of Walsin Thz Technology Corp. Manager of Electronic and Optoelectronic System Research Laboratories, ITRI. President of Kingpak Technology INC.	President of Advanced Power Electronics Co., Ltd. President and Representative of juridical person chairman of Tong Hsing Electronic Industries, Ltd. President and Representative of juridical person chairman of XSEMI Corporation	—	—	—	—

Title	Nationality/ Country of Origin	Name	Gender /Age	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
							Shares	%	Shares	%	Shares	%	Shares	%
Director	R.O.C.	Ying-Shis Huang	Male/ 51~60	May 18, 2023	3	May 18, 2023	—	—	—	—	—	—	—	—
Independent Director	R.O.C.	Pao-Shi Sheng	Male/ 51~60	May 18, 2023	3	May 18, 2023	—	—	—	—	—	—	—	—
Independent Director	R.O.C.	Nai-Jen Yeh	Male/ 61~70	May 18, 2023	3	May 18, 2023	—	—	—	—	—	—	—	—
Independent Director	R.O.C.	Chien-Wei Chen	Male/ 61~70	May 18, 2023	3	May 18, 2023	—	—	—	—	2,000	0.00	—	—

As of March 31, 2024

Main working (education) experience	Concurrent positions in the Company and other companies	Officer or director is a spouse or consanguineous within two degree			Remark
		Title	Name	Relation	
Master degree in Accounting of National Chung Cheng University Bachelor degree in Accounting of Tunghai University Senior Director of Hon Hai Precision Industry Co., Ltd. Director of Hewlett-Packard Development Company, L.P. Director of Systex Corporation Senior Director of EY Transaction Advisory Services Inc.	Representative of juridical person director, Altus Technology Inc., Chairman of Socle Technology Corp. Chairman of Healthconn Corp. Director of Pan-International Industrial Corp. Director of PowerX Semiconductor Corporation Director of XSEMI Corporation Director of ShunSin Technology Holdings Limited Director of Foxtron Vehicle Technologies Co., Ltd. Director of iCana Ltd. Representative of juridical person director of Linker Vision Co., Ltd. Director, Batt. Cycle Materials Co., Ltd. Director, Beijing Hengyu Electric Vehicle Rental Co., Ltd. Director at Shandong Fujikang Intelligent Manufacturing Co., Ltd. Director of FOXCONN INNOVATION INDUSTRY DEVELOPMENT GROUP CO., Ltd. Director of Foxconn EV Netherlands Holdings Director of SiliconAuto B.V.	—	—	—	—
Bachelor degree of Economics, University of California, Berkeley General Manager, Hoan Pharmaceuticals Ltd.	Chairman and General Manager of Bora Pharmaceutical Co., Ltd. Chairman of Union Chemical & Pharmaceutical Co., Ltd. Chairman of Bao Lei Co., Ltd. Chairman of Rui Bao Xin Investment Co., Ltd. Independent director of Gamania Digital Entertainment Co., Ltd. Independent director of BIONET Corp. Chairman of Bora Health Co., Ltd. Chairman of Bora Pharmaceutical and Consumer Health Inc. Chairman of Bao En International Co., Ltd. Chairman of Jia Xi International Co., Ltd. Chairman of Bora Management Consulting Co., Ltd. Chairman of Bora Biologics Co., Ltd. Chairman of Synpac-kingdom pharmaceutical Co., Ltd. Chairman of Twi Pharmaceuticals, Inc. Chairman of Bora Pharmaceutical and Consumer Health Inc. Director of Wellpool Co., Ltd. Chairman of Sunway Biotech Co., Ltd. Director of Bora Pharmaceuticals USA Inc. Director of Bora Pharmaceuticals Services Inc.	—	—	—	—
Bachelor degree in Electrical and Computer Engineering of Tamkang University R&D Vice President, Episil Technologies Inc. R&D Vice President, Miracle Technology Co., Ltd. President of Asia region, Princeton Technology Co., Ltd. Manager of Manufacturing Dept. of United Microelectronics Corp.	—	—	—	—	—
EMBA of Taiwan-Fudan University EMBA of National Taiwan University of Science and Technology Bachelor degree of Industrial Engineering and Management of National Taiwan University of Science and Technology Supervisor of E-Elements Technology Co. Ltd. Director of Ennoconn Corporation Committee Member of Compensation of Chaintech Technology Corporation	President of Technology Unlimited Group Chairman of Technology Created Medicine Corporation Chairman of Sparkle Computer Co., Ltd. Representative of juridical person director of Rigo Global Co., Ltd. Independent Director, Aewin Technologies Co., Ltd.	—	—	—	—

Table 1: Major Shareholders of APEC's Institutional Shareholders

As of March 31, 2024

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	Percentage
XSemi Corporation	Baoxin International Investment Co., Ltd.	45%
	YAGEO Corporation	35%
	Kuo-Shin Investment Co., Ltd.	15%
Future Technology Consulting, Inc.	Fu-Chi Teng	76.36%
	Wei-Ling Hsieh	13.03%
	Wei-Chuan Hsieh	7.58%
	Yu-Hui Feng	3.03%

Table 2: Major shareholders of the Company's major institutional shareholders

Name of Institutional Shareholders	Major Shareholders	Ownership
Yageo Corporation (Note)	Tie-Min Chen	7.00%
	CTBC BANK CO., LTD IN CUSTODY FOR PRC HOLDING LIMITED	6.60%
	CTBC BANK CO., LTD IN CUSTODY FOR Dominant Investment Holdings Ltd.	6.59%
	Nan Shan Life Insurance Co., Ltd.	2.45%
	Taishin International Bank IN CUSTODY FOR Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF	2.44%
	MEGA INTERNATIONAL COMMERCIAL BANK CO. LTD. ACTING AS CUSTODIAN FOR THE INVESTMENT ACCOUNT OF WHOLLY GROUP JAPAN III LIMITED	2.38%
	Fidelity Funds	1.38%
	VANGUARD EMERGING MARKETS STOCK INDEX FUND A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	1.29%
	Cathay Life Insurance Company, Ltd.	1.26%
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index	1.22%
Bon Shin International Investments Co., Ltd.	HON HAI PRECISION INDUSTRY CO., LTD.	100.00%
Kuo Shin Investment Co, Ltd.	Yageo Corporation	100.00%

Note: As of the printing date of the annual report, the information of the top ten shareholders in 2024 has not been announced. The shareholding base date for this information is April 8, 2023.

## (2). Qualifications and independence criteria of directors

### A. Professional qualifications and experience of directors

Name	Professional Qualification and Experience
Chairman Tie-Min Chen	Graduated from the Engineering Science of National Cheng Kung University and was awarded an Honorary Doctorate of Management from National Sun Yat-sen University. He is the founder of Yageo Corporation and currently serves as the Chairman of Yageo Corporation, Tong Hsing Electronic Industries, Ltd, XSemi Corporation, and Kuo-Shin Investment Co., Ltd. He also having achieved outstanding success in corporate management and possessing profound expertise in the field of passive component technology, with a particular focus on financial strategy planning and other business experiences essential for companies.
Vice Chairman Fu-Chi Teng	Graduated from the Executives Program, Graduate School of Business Administration of National Chengchi University. He is the vice chairman and chief strategy officer of the Company, the Chairman of Future Technology Consulting, Inc. and representative of juridical person director of listed companies. He has more than five years of business and financial experience. And the work experience required for the Company's business, dedicated to the semiconductor industry for nearly 25 years, with professional leadership, marketing, operation management and strategic planning capabilities, leading the Company to become an industry leader and a sustainable business.
Director Chia-Shuai Chang	Graduated with a Ph.D. in Physics from National Tsing Hua University, currently serving as the General Manager of our company and Tong Hsing Electronic Industries, Ltd. and XSemi Corporation, as well as the legal representative director of Tong Hsing Electronic Industries, Ltd., and XSemi Corporation. Possessing outstanding academic background and accumulated years of practical experience in industrial management, bringing valuable leadership skills to the Company.
Director Ying-Shis Huang	Graduated with a Master's degree from the Accounting at National Chung Cheng University, currently serving as the Senior Executive of Hon Hai Precision Industry Co., Ltd., and Chairman of several affiliated companies including Yangxin Technology Co., Ltd., Hongjing Technology Co., Ltd., and Kanglian Biomedical Technology Co., Ltd. Also holding positions as a director in XSemi Corporation, Honghua Advanced Technology Co., Ltd., Guangyu Technology Co., Ltd., Xinxi Technology Holding Co., Ltd., and other companies. Possessing diverse industry management experience and professional background in finance and accounting, bringing valuable business expertise to the Company.
Independent Director Pao-Shi Sheng	Graduated with a Bachelor's degree in Economics from the University of California, Berkeley, serving as the convener of the Audit Committee of our company, and also as a member of the Compensation Committee and the Nomination Committee. Currently serving as the Chairman and General Manager of Bora Pharmaceuticals Co., Ltd., and Chairman of Chinghui Biotechnology Co., Ltd., as well as Chairman of several other companies. Also serving as a director of HP Inc., and as an independent director of Gamania Digital Entertainment Co., Ltd., and Xunlian Biotech Co., Ltd. Possessing impressive expertise in capital market mergers and acquisitions and operational performance, providing valuable business experience to the Company.
Independent Director	Graduated from the Electronic Engineering at Tamkang University, serving as the convener of the Compensation Committee of our company, and also as a member of the Audit

Name	Professional Qualification and Experience
Nai-Jen Yeh	Committee and the Nomination Committee. Previously held positions as the General Manager for the Asia-Pacific region at Pu Cheng Technology Co., Ltd., Vice General Manager of R&D at Hanlei Technology Co., Ltd., Vice General Manager at Meilu Technology Co., Ltd., and Manufacturing Manager at United Microelectronics Corporation. Possessing professional capabilities in business management and technical research and development, bringing valuable work experience to the Company.
Independent Director Chien-Wei Chen	Graduated from the Executive Master of Business Administration (EMBA) program jointly offered by National Taiwan University and Fudan University, as well as the EMBA program in Management Research at Taiwan University of Science and Technology. Serving as the convener of the Nomination Committee of our company, and also as a member of the Audit Committee and the Compensation Committee. Currently serving as the Group General Manager of Hanchuan Technology Co., Ltd., and an independent director of Suntech Technology Co., Ltd. Also holding positions as Chairman and director in multiple other companies. Possessing professional expertise in operational management and strategic leadership planning, providing specialized business experience to the Company.

## B. Independence criteria of directors

Name	Independence Criteria	Number of Other Public Companies in which the Individual is Concurrently Serving as an Independent Director
Chairman Tie-Min Chen	Not in contravention of Article 30 of the Company Act.	0
Vice Chairman Fu-Chi Teng	Not in contravention of Article 30 of the Company Act.	2
Director Chia-Shuai Chang	Not in contravention of Article 30 of the Company Act.	0
Director Ying-Shis Huang	Not in contravention of Article 30 of the Company Act.	0
Independent Director Pao-Shi Sheng	The directors have been met the following independence criteria during the two years prior to being elected or during the term of the office. Criteria 1: Not an employee of the Company or its affiliates. Criteria 2: Not a director or supervisor of the Company or any of its affiliates. This does not apply in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares. Criteria 3: Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in shareholdings.	2
Independent Director Nai-Jen Yeh	Criteria 4: Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding specified in criteria 1 to 3. Criteria 5: Neither a director, supervisor, or employee of an entity that directly and/or indirectly holds 5% or more of total number of issued shares of the Company, or rank among the top 5 shareholdings.	0
Independent Director Chien-Wei Chen	Criteria 6: Not a director, supervisor, officer, or shareholder holding 5% or more of the outstanding shares of any entity that has financial or business relations with the Company. Criteria 7: Not a director, supervisor, or employee of a company or institution of which the chairman, president (or equivalent) himself/herself or his/her spouse also serves as the company's chairman, president (or equivalent). Criteria 8: Not a director, supervisor, manager, or shareholder owning more than 5% of the outstanding shares of any company that has financial or business relations with the Company. Criteria 9: Not a professional, owner, partner, director or supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past two years has received cumulative compensation exceeding NT\$500,000, or a	1

Name	Independence Criteria	Number of Other Public Companies in which the Individual is Concurrently Serving as an Independent Director
	<p>spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.</p> <p>Criteria 10: Not a spouse or relative within second degree by affinity to other directors.</p> <p>Criteria 11: Not in contravention of Article 30 of the Company Act.</p> <p>Criteria 12: Not an institutional shareholder or its representative pursuant to Article 27 of the Company Act.</p>	

### (3). Diversified board of directors

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

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

The board of directors for this term is composed of seven directors. There are three independent directors, 29% of the directors were employees, independent directors accounting for 43% of the composition, With regard to the seniority of independent directors, the company's two independent directors have served for two consecutive terms, with a seniority of nine years; the other independent director has a seniority of six years. Their qualifications meet the independence requirements stipulated in the law, and they are familiar with the company's financial and operating conditions. The implementation is as follows:

Name	Title	Gender	Age		Term			Employees	Top five core competencies							
			51-60 years old	61-70 years old	Less than 3 years	3-9 years	More than 9 years		Finance	Electronic technology	Manufacturing	Business	Accounting	Information Technology	Marketing	Risk Management
Tie-Min Chen	Chairman	Male		✓					✓	✓	✓	✓		✓	✓	✓
Fu-Chi Teng	Vice Chairman	Male		✓				✓	✓	✓	✓	✓		✓	✓	✓
Chia-Shuai Chang	Director	Male	✓					✓		✓	✓	✓		✓	✓	✓
Ying-Shis Huang	Director	Male	✓						✓			✓	✓			✓
Pao-Shi Sheng	Independent Director	Male	✓		✓				✓			✓				✓
Nai-Jen Yeh	Independent Director	Male		✓	✓					✓		✓				✓
Chien-Wei Chen	Independent Director	Male		✓	✓					✓		✓				✓

#### Execution status and goal of diversified board of directors

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

#### (4). Independence of the Board of Directors

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

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

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

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

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

Title	Nationality	Name	Gender	Effective Date	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
					Shares	%	Shares	%	Shares	%
Vice Chairman & CSO	R.O.C.	Fu-Chi Teng	Male	Jan.11, 2022	2,091,694	1.76	—	—	—	—
President (Note)	R.O.C.	Chia-Shuai Chang	Male	Nov. 1, 2023	0	0.00	0	0.00		
President (Note)	R.O.C.	Lin-Chung Huang	Male	Nov. 6, 2020	24,771	0.17	410	0.00	—	—
Vice President of R&D Division	R.O.C.	Jau-Yan Lin	Male	Nov. 12, 2018	24,821	0.02	806	0.00	—	—
Vice President of Product Engineering Division	R.O.C.	Meng-Hui Lin	Male	Nov. 12, 2018	26,365	0.02	7,058	0.01	—	—
Vice President of Finance & HR Administration Division & Corporate Governance Officer	R.O.C.	Mei-Ying Tan	Female	Nov. 1, 2000	123,611	0.10	—	—	—	—
Vice President of Sales Division	R.O.C.	Chien-Hsueh Lin	Male	Jan. 1, 2021	80,000	0.07	—	—	—	—

Note: Mr. Lin-Chung Huang, the General Manager, stepped down on November 1, 2023, and was succeeded by Mr. Chia-Shuai Chang.

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

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

#### 3.1 Compensation of Directors (including Independent Directors)

As of December 31, 2023, Unit: NT\$' 000

As of December 31, 2023, Unit: TWD 000,000

Title	Name	Compensation to Directors								Total Compensation (A+B+C+D) to Net Income (%)	
		Base Compensation (A)		Pension / Severance (B)		Directors Compensation (C) (Note 1)		Professional Fee (D)			
		Parent- only	Consolidat ed	Parent- only	Consolid ated	Parent- only	Consolida ted	Parent- only	Consolid ated	Parent- only	Consolidate d
Chairman	Tie-Min Chen	0	0	0	0	1,713	1,713	20	20	1,733 (0.52%)	1,733 (0.52%)
Vice Chairman	Fu-Chi Teng Future Technology Consulting, Inc. Representative:	0	0	0	0	857	857	50	56	907 (0.27%)	913 (0.28%)
Director	Chia-Shuai Chang XSEMI Corporation Representative	0	0	0	0	857	857	20	20	877 (0.27%)	877 (0.27%)
Director	Ying-Shis Huang	0	0	0	0	857	857	20	20	877 (0.27%)	877 (0.27%)
Independent Director	Pao-Shi Sheng	0	0	0	0	857	857	60	60	917 (0.28%)	917 (0.28%)
Independent Director	Nai-Jen Yeh	0	0	0	0	857	857	60	60	917 (0.28%)	917 (0.28%)
Independent Director	Chien-Wei Chen	0	0	0	0	857	857	60	60	917 (0.28%)	917 (0.28%)

Note 1: As of the publication date of the annual report, NT\$6,852 thousand and \$54,819 thousand are set aside for employees' and directors' compensations for 2023 according to the resolution of the Board of Directors. It was calculated used last year's actual allocation ratio.

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

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

As of December 31, 2023, Unit: NTS '000

Compensation as an employee								A+B+C+D+E+F+G as a % of net profit		Compensation from investees other than subsidiaries
Performance-based salary (E)		Retirement pay of employees (F)		Earnings paid as bonus to employees (G) (Note 1)						
Parent-only	Consolidated	Parent-only	Consolidated	Parent-only		Consolidated		Parent-only	Consolidated	
				Cash bonus	Stock bonus	Cash bonus	Stock bonus			
3,864	3,864	0	0	2,429	0	2,429	0	8,026 (2.43%)	8,026 (2.43%)	None
13,165	13,165	0	0	2,429	0	2,429	0	16,501 (4.99%)	16,507 (5.00%)	None
581	581	0	0	2,429	0	2,429	0	3,887 (1.18%)	3,887 (1.18%)	None
0	0	0	0	0	0	0	0	877 (0.27%)	877 (0.27%)	None
0	0	0	0	0	0	0	0	917 (0.28%)	917 (0.28%)	None
0	0	0	0	0	0	0	0	917 (0.28%)	917 (0.28%)	None
0	0	0	0	0	0	0	0	917 (0.28%)	917 (0.28%)	None

### 3.2 Compensation of President and Vice President

As of December 31, 2023, Unit: NT\$'000

Title	Name	Base Compensation (A)		Pension / Severance (B)		Bonuses and Allowances (C)		Employee Compensation (D) (Note 1)				A+B+C+D as a % of net profit		Compensation from investees other than subsidiaries
		Parent-only	Consolidated	Parent-only	Consolidated	Parent-only	Consolidated	Parent-only		Consolidated		Parent-only	Consolidated	
								Cash bonus	Stock bonus	Cash bonus	Stock bonus			
Vice Chairman & CSO	Fu-Chi Teng	23,801	23,801	596	596	41,319	41,319	17,004	0	17,004	0	82,720 (25.03%)	82,720 (25.03%)	None
President (Note 2)	Chia-Shuai Chang													
President (Note 2)	Lin-Chung Huang													
Vice President of R&D Division	Jau-Yan Lin													
Vice President of Product Engineering Division	Meng-Hui Lin													
Vice President of Finance & HR Administration Division & Corporate Governance Officer	Mei-Ying Tan													
Vice President of Sales Division	Chien-Hsueh Lin													

Note 1: As of the publication date of the annual report, NT\$54,819 thousand is set aside for employees' compensations for 2023 according to the resolution of the Board of Directors. It was calculated used last year's actual allocation ratio.

Note 2: Mr. Lin-Chung Huang, the General Manager, stepped down on November 1, 2023, and was succeeded by Mr. Chia-Shuai Chang.

Range of Compensation	Name of President and Vice President	
	Parent-only	Consolidated
Less than NT\$1,000,000	—	—
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	—	—
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Chia-Shuai Chang	Chia-Shuai Chang
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	—	—
NT\$ 5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)		
NT\$10,000,000(inclusive) ~ NT\$15,000,000 (exclusive)	Lin-Chung Huang, Jau-Yan Lin, Meng-Hui Lin, Mei-Ying Tan, Chien-Hsueh Lin	Lin-Chung Huang, Jau-Yan Lin, Meng-Hui Lin, Mei-Ying Tan, Chien-Hsueh Lin
NT\$15,000,000(inclusive) ~ NT\$30,000,000 (exclusive)	Fu-Chi Teng	Fu-Chi Teng
NT\$30,000,000(inclusive) ~ NT\$50,000,000 (exclusive)	—	—
NT\$50,000,000(inclusive) ~ NT\$100,000,000 (exclusive)	—	—
Over NT\$100,000,000	—	—
Total	7	7

### 3.3 Manager and employee bonuses

As of December 31, 2023, Unit: NT\$'000

	Title	Name	Stock bonus	Cash bonus (Note 1)	Total	As a % of net profit
Manager	Vice Chairman & CSO	Fu-Chi Teng	0	17,004	17,004	5.15
	President (Note 2)	Chia-Shuai Chang				
	President (Note 2)	Lin-Chung Huang				
	Vice President of R&D Division	Jau-Yan Lin				
	Vice President of Product Engineering Division	Meng-Hui Lin				
	Vice President of Finance & HR Administration Division & Corporate Governance Officer	Mei-Ying Tan				
	Vice President of Sales Division	Chien-Hsueh Lin				

Note 1: As of the publication date of the annual report, NT\$54,819 thousand is set aside for employees' compensations for 2023 according to the resolution of the Board of Directors. It was calculated used last year's actual allocation ratio.

Note 2: Mr. Lin-Chung Huang, the General Manager, stepped down on November 1, 2023, and was succeeded by Mr. Chia-Shuai Chang.

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

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

Type	As a % of net income				Ratio Variation	
	2023		2022			
	Parent-only	Consolidated	Parent-only	Consolidated	Parent-only	Consolidated
Directors	2.16%	2.16%	2.18%	2.18%	-	(0.01%)
President and Vice President	25.03%	25.03%	10.24%	10.25%	14.79%	14.78%

#### (2). Remuneration policies, standards and package:

##### A. Compensation of directors

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

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

##### b. Transportation allowances

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

##### B. Compensation of President and Vice President

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

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

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

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

**(4). Performance factor:**

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

## 4. Corporate Governance

### 4.1 Board of Directors attendance

In 2023, the 9th Board of Directors convened 3 times (A) and the 10th Board of Directors convened 4 times (A), with a total of 7 meetings (A). The following is the attendance of the directors:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Future Technology Consulting, Inc. Representative: Fu-Chi Teng	3	0	100.00	Re-election on May 18, 2023
Director	STCH Investment Inc. (Cayman) Representative: Chih-Cheng Chang	3	0	100.00	Stepped down on May 18, 2023
Director	Shih-Chieh Tsai	3	0	100.00	Stepped down on May 18, 2023
Director	Ji-Yu Yang	3	0	100.00	Stepped down on May 18, 2023
Independent Director	Ciou-Lin Chen	3	0	100.00	Stepped down on May 18, 2023
Independent Director	Yong-Sheng Liu	3	0	100.00	Stepped down on May 18, 2023
Independent Director	Pei-Jun Wu	3	0	100.00	Stepped down on May 18, 2023
Chairman	Tie-Min Chen	4	0	100.00	Newly appointed
Vice Chairman	Future Technology Consulting, Inc. Representative: Fu-Chi Teng	3	1	75.00	Re-election on May 18, 2023
Director	XSemi Corporation Representative: Chia-Shuai Chang	4	0	100.00	Newly appointed
Director	Ying-Shis Huang	4	0	100.00	Newly appointed
Independent Director	Pao-Shi Sheng	2	2	50.00	Newly appointed
Independent Director	Nai-Jen Yeh	4	0	100.00	Newly appointed
Independent Director	Chien-Wei Chen	3	1	75.00	Newly appointed

Note : The Company held a comprehensive election for the 10th Board of Directors (including Independent Directors) at the Shareholders' Meeting on May 18, 2023, and the 9th Board of Directors (including Independent Directors) Stepped down the expiration of their term.

Other Matters of Importance:

1. If any of the following circumstances occur, it is necessary to specify the dates of the board meetings, sessions, contents of motion, all independent directors' opinions, and the Company's responses:

- (1) Pursuant to Article 14-3 of the Securities and Exchange Act:

Not applicable. The Company has already established an audit committee.

- (2) In addition to item (1), other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors.

None.

2. Any directors' avoidance of motions due to conflict of interest, director name, contents of motion, causes for avoidance, and voting should be specified:

Date	Name of directors	Proposal	Reasons for recusal	Participation in deliberation
The 3rd meeting of the 10th Board of Directors in 2023 October 26, 2023	Chia-Shuai Chang	Proposal for the Appointment of Management Personnel of the Company	Personal interest	All three were Excluded from the deliberations
The 4th meeting of the 10th Board of Directors in 2023 December 19, 2023	Tie-Min Chen	Proposal for Donation to the Yageo Foundation of the Company	Personal interest	All three were excluded from the deliberations

3. Publicly-listed companies should disclose board self-evaluation (or peer-evaluation) information including cycle, period, scope, method, and content, and should fill in the attached Table 1, Information Regarding the Implementation of the Evaluation of the Board of Directors.

4. Measures have been taken to strengthen the functioning of the Board of Directors (e.g. establishment of the Audit Committee, increasing transparency) to assist the board in carrying out its various duties.

- (1) The board of directors is composed of seven directors. There are three independent directors, accounting for one third of the composition. The Audit Committee and the Compensation Committee, composed entirely of independent directors, assist the Board of Directors in carrying out supervisory tasks. The chairperson of each committee reports on their committee's operations to the board on a regular basis. In order to enhance the Board's operation and strengthen the management mechanism, the Company established the Nomination Committee consisting of 3 directors (including 2 independent directors) to implement the sustainable development of the enterprise.

- (2) Committed to upholding operational transparency, the Company regularly discloses resolutions by the Board of Directors on its official website and MOPS in a timely and consistent manner. In addition, the Company holds institutional investor conferences and has set up Chinese/English sections for Investor Relations, Corporate Governance, Corporate Social Responsibility and Stakeholder Engagement on its official website.

- (3) The Company provides its directors and managers with annual liability insurance to cover risks as they carry out their duties and reviews the insurance coverage on an annual basis to make sure the amount and scope are sufficient to the need.

- (4) All the directors of the Company have at least 6 hours and the newly appointed directors also completed 12 hours of continuing education of continuing education in 2023.

- (5) The Company conducts the board performance evaluation in accordance with the " Regulations Governing the Performance Evaluation of the Board of Directors" once a year, and at least once every three years by an external independent professional institution. The Company completed self-assessments of Board performance in 2023 and reported the results to the Board of Directors at the first meeting in 2024 for review and improvement.

Table 1. Board of Directors' Performance Evaluation Implementation Status

Evaluation Cycles	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Aspects
Conducted Annually	January 1, 2023 ~ December 31, 2023	Board Performance Evaluation	Board Self-Assessment	The Board of Directors are assessed on the following five aspects: 1. Involvement in the Company's operation 2. Enhancement of the quality of the board's decision-making. 3. Makeup and structure of the board. 4. Election of board members and continuing knowledge development. 5. Internal controls
		Individual Board Member Performance Evaluation	Individual Board Member Self-Assessment	The Individual Board of Directors are assessed on the following Six aspects: 1. Understanding of the Company's goals and mission. 2. Awareness of director's duties. 3. Involvement in the Company's operations. 4. Internal relationship and communication. 5. Director's professionalism and continuing knowledge development. 6. Internal controls.
		Functional Committee Performance Evaluation	Audit Committee Member Self-Assessment	The Audit Committee Member Self-Assessment on the following five aspects: 1. Involvement in the Company's operation. 2. Awareness of the compensation committee and the audit committee's duties. 3. Enhancement of the quality of the compensation committee and the audit committee's decision-making. 4. Makeup of the compensation committee and the audit committee and election of its members. 5. Internal controls.
			Compensation Committee Member Self-Assessment	The Compensation Committee Member Self-Assessment on the following Four aspects: 1. Involvement in the Company's operation. 2. Awareness of the compensation committee and the audit committee's duties. 3. Enhancement of the quality of the compensation committee and the audit committee's decision-making. 4. Makeup of the compensation committee and the audit committee and election of its members.
			Nominating Committee Member Self-Assessment	The Nominating Committee Member Self-Assessment on the following Four aspects: 1. Involvement in the Company's operation. 2. Awareness of the compensation committee and the audit committee's duties. 3. Enhancement of the quality of the compensation committee and the audit committee's decision-making. 4. Makeup of the compensation committee and the audit committee and election of its members.

The Company completed self-assessments of Board performance in 2023 and reported the results to the Board of Directors at the first meeting in 2024 for review and improvement. The weighted average score for the overall performance of the board of directors is 4.93 out of 5. The weighted average score for the performance of the individual directors is 4.90 out of 5. As demonstrated, the overall board's operation has been effective.

The functional committee performance evaluation resulted in an overall average score of 4.97 out

of 5 for the Audit Committee's self-assessment, demonstrating effective corporate governance in enhancing the functionality of the Audit Committee, the Compensation Committee's self-assessment yielded an overall average score of 5 out of 5, indicating effective corporate governance in enhancing the functionality of the Compensation Committee, the Nominating Committee's self-assessment resulted in an overall average score of 4.89 out of 5, demonstrating compliance with corporate governance standards and effective enhancement of the Nominating Committee's functionality.

#### 4.2 Audit Committee attendance

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

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

Name	Professional Qualification and Experience
<p>Independent Director Pao-Shi Sheng</p>	<p>Graduated with a Bachelor's degree in Economics from the University of California, Berkeley, serving as the convener of the Audit Committee of the company, and also as a member of the Compensation Committee and the Nomination Committee. Currently serving as the Chairman and General Manager of Bora Pharmaceuticals Co., Ltd., and Chairman of Chinghui Biotechnology Co., Ltd., as well as Chairman of several other companies. Also serving as a director of HP Inc., and as an independent director of Gamania Digital Entertainment Co., Ltd., and Xunlian Biotech Co., Ltd. Possessing impressive expertise in capital market mergers and acquisitions and operational performance, providing valuable business experience to the Company.</p>
<p>Independent Director Nai-Jen Yeh</p>	<p>Graduated from the Electronic Engineering at Tamkang University, serving as the convener of the Compensation Committee of our company, and also as a member of the Audit Committee and the Nomination Committee. Previously held positions as the General Manager for the Asia-Pacific region at Pu Cheng Technology Co., Ltd., Vice General Manager of R&amp;D at Hanlei Technology Co., Ltd., Vice General Manager at Meilu Technology Co., Ltd., and Manufacturing Manager at United Microelectronics Corporation. Possessing professional capabilities in business management and technical research and development, bringing valuable work experience to the Company.</p>
<p>Independent Director Chien-Wei Chen</p>	<p>Graduated from the Executive Master of Business Administration (EMBA) program jointly offered by National Taiwan University and Fudan University, as well as the EMBA program in Management Research at Taiwan University of Science and Technology. Serving as the convener of the Nomination Committee of the company, and also as a member of the Audit Committee and the Compensation Committee. Currently serving as the Group General Manager of Hanchuan Technology Co., Ltd., and an independent director of Suntech Technology Co., Ltd. Also holding positions as Chairman and director in multiple other companies. Possessing professional expertise in operational management and strategic leadership planning, providing specialized business experience to the Company.</p>

##### (2). The scope of duties of Independent Directors

The Audit Committee is responsible for reviewing the following:

- A. Review and discuss the adoption or amendment for the internal control system
- B. The assessment of the effectiveness of the internal control system

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

In 2023, the 3th Audit Committee convened 2 times (A) and the 4th convened 2 times (A), with a total of 4 meetings (A). The following is the attendance of the directors:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A)	Remarks
Convener	Yong-Sheng Liu	2	0	100.00	Stepped down on May 18, 2023
Member	Ciou-Lin Chen	2	0	100.00	Stepped down on May 18, 2023
Member	Pei-Jun Wu	2	0	100.00	Stepped down on May 18, 2023
Convener	Pao-Shi Sheng	2	0	100.00	Newly appointed
Member	Nai-Jen Yeh	2	0	100.00	Newly appointed
Member	Chien-Wei Chen	2	0	100.00	Newly appointed

Note : The Company held a comprehensive election at the Shareholders' Meeting on May 18, 2023.

#### Other Matters of Importance:

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

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

Dates of Board meetings	Contents of motion	Objections or issues by the Audit Committee	Audit Committee's opinion	Company's response
The 1st meeting of the 3rd Audit Committee in 2023 February 21, 2023	Internal Audit Report of the Company	None	Approved as proposed	Approved as proposed
	Proposals of the change of Certified Public Accountant of the Company	None		
	Proposal for independence and suitability evaluation report of the CPAs appointed by the Company	None		
	The 2022 financial statement of the	None		

Dates of Board meetings	Contents of motion	Objections or issues by the Audit Committee	Audit Committee's opinion	Company's response
	Company			
	The 2022 earnings distribution of the Company	None		
	Proposal for the amendment to the Operational Procedures for Lending Funds to Others	None		
	The 2022 Internal Control Statement of the Company	None		
The 2nd meeting of the 3rd Audit Committee in 2023 May 2, 2023	Internal Audit Report of the Company	None	Approved as proposed	Approved as proposed
	The Company's consolidated financial report for the first quarter of 2023	None		
The 1st meeting of the 4th Audit Committee in 2023 August 2, 2023	Internal Audit Report of the Company	None	Approved as proposed	Approved as proposed
	The internal audit personnel evaluation report of the company	None		
The 2nd meeting of the 4th Audit Committee in 2023 October 26, 2023	The Company's consolidated financial report for the second quarter of 2023.	None	Approved as proposed	Approved as proposed
	Proposal for the establishment of the Non Assurance Services Pre-approval Policy	None		
	Internal Audit Report of the Company	None		
	The Company's consolidated financial report for the third quarter of 2023	None		
	2023 the delegation compensation of CPAs of the Company	None		
	2024 Internal Audit Plan of the Company	None		

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

2. Any independent directors' avoidance of motions due to conflict of interest: None.

3. Communication between Independent Directors and the Internal Audit Chief Officer and CPAs about major financial/operational matters:

(1). Independent directors and internal auditors communication:

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

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

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

The independent directors communicated well with internal audit managers.

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

Date	Attendees	Communication Highlights Summary	Communication Results
May 2, 2023	Independent Director Yong-Sheng Liu Independent Director Ciou-Lin Chen Head of internal auditor Hsin-Chien Lee	Recommendations from substantive examination of TWSE and improvement reports of the internal control system	Met with no objections from the independent directors after extensive communication between independent directors and the head of internal auditor.
		Report on Project Audit	
		Head of internal auditor responds to questions raised in the meeting.	

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

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

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

The independent directors communicated well with CPA.

(4). In 2023, the major matters of the communications between independent directors and CPA:

Date	Attendees	Communication Highlights Summary	Communication Results
December 19, 2023	Independent Director Nai-Jen Yeh Independent Director Chien-Wei Chen Chien-Liang Liu CPA, Deloitte & Touche Wen-chin Lin CPA, Deloitte & Touche Head of internal auditor Hsin-Chien Lee	Report on Audit Planning Matters for 2023.	Met with no objections from the independent directors after extensive communication between independent directors and the CPA.
		Significant Changes in Accounting Estimates for 2023.	
		Recent Legislative Updates Alert Report.	
		CPA responds to questions raised in the meeting.	

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

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

Evaluation Criteria	Implementation Status			Reason for Non-implementation
	Yes	No	Explanation	
			<p>or relevant results which include, without limitation, those prohibiting a director from trading its shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports. The Company has scheduled the date of board meeting in 2024 to remind managers and directors of stock trading control measures.</p> <p>Implementing of Rules and Procedures in 2023:</p> <p>A.Directors</p> <p>When dismissing directors, the Company provides directors' regulations and publicity manuals, and at any time explain to directors related regulations such as communication insider trading and short-term trading.</p> <p>Every year when planning a director's training plan, arrange education and publicity courses to prevent insider trading and related laws and regulations. The courses completed in 2023 are available on the Company's official website under "Corporate Governance".</p> <p>B.Managers and employees</p> <p>When the manager takes up the position of insider, the Company provides the relevant laws and regulations on the change of insider's equity. Provide education and advocacy in a timely manner within three months of employment.</p> <p>The Company held 0.5-hour online training on preventing insider trading for newly employees in 2023. The course includes an introduction and the elements of insider trading, violations, and case study, etc.</p> <p>A total of 128 employees (including managers) passed education and training 2023. The courses completed in 2023 are available on the Company's official website under "Corporate Governance".</p>	
<p>3. Board of Directors Composition and Responsibilities</p> <p>(1) Does the Board of Directors develop and implement a policy to promote diversity in the composition of its members</p>	✓		<p>(1) Diversity of board members is stipulated in the Company's Code of Practice for Corporate Governance and fully implemented. For the detail information please also see Page 16 "Diversified board of directors".</p>	None
<p>(2) Does the Company voluntarily establish other functional</p>	✓		<p>(2) The Company set up Audit Committee and Compensation Committee, and Nomination</p>	None

Evaluation Criteria	Implementation Status			Reason for Non-implementation
	Yes	No	Explanation	
committees in addition to the Compensation Committee and the Audit Committee?			Committee on November 1, 2022. Other functional committees will be set up depending on future needs.	
(3) Does the Company establish and implement on an annual basis a set of assessments to measure the performance of the Board of Directors, report the performance evaluation results to the Board to Directors, and use it as a reference for the compensation of the Board of Directors?	✓		<p>(3) The Company conducts the board performance evaluation once a year by questionnaire of self-evaluation. The evaluation scope includes the Board of Directors as a whole, the individual directors, the Compensation Committee, and the Audit Committee in 2022. The results shall be used as a reference basis when selecting or nominating directors and shall base its determination of an individual director's remuneration on the evaluation results of his or her performance.</p> <p>The Board of Directors are assessed on the following five aspects:</p> <ol style="list-style-type: none"> <li>1. Involvement in the Company's operation</li> <li>2. Enhancement of the quality of the board's decision-making</li> <li>3. Makeup and structure of the board</li> <li>4. Election of board members and continuing knowledge development</li> <li>5. Internal controls</li> </ol> <p>The individual directors are assessed on the following six aspects:</p> <ol style="list-style-type: none"> <li>1. Understanding of the Company's goals and mission</li> <li>2. Awareness of director's duties</li> <li>3. Involvement in the Company's operations</li> <li>4. Internal relationship and communication</li> <li>5. Director's professionalism and continuing knowledge development</li> <li>6. Internal controls</li> </ol> <p>The Compensation Committee and the Audit Committee are assessed on the following five aspects:</p> <ol style="list-style-type: none"> <li>1. Involvement in the Company's operation</li> <li>2. Awareness of the compensation committee and the audit committee's duties</li> <li>3. Enhancement of the quality of the compensation committee and the audit committee's decision-making</li> <li>4. Makeup of the functional committee and the audit committee and election of its members</li> <li>5. Internal controls</li> </ol> <p>The Company completed self-assessments of Board performance in 2023 and reported the results to the Board of Directors at the first meeting in 2024 for review and improvement. The weighted average score for the overall performance of the board of directors is 4.93 out of 5. The weighted average score for the performance of the individual directors is 4.90 out of 5. As demonstrated, the overall board's operation has been effective. The weighted average score for the overall performance of the Compensation Committee is 5 out of 5 and</p>	None

Evaluation Criteria	Implementation Status			Reason for Non-implementation
	Yes	No	Explanation	
			the Audit Committee's is 4.97 out of 5 and the Nominating Committee's is 4.89 out of 5. According to the performance self-assessment of each functional committee, all functional committees comply with corporate governance and effectively enhance their respective functions.	
(4) Does the Company regularly evaluate the independence of its CPAs?	✓		(4) At least once a year, the Company evaluates the independence and suitability of its CPA. The Company also evaluates the accounting firm with regard to its financial interests, funding and guarantees, commercial relations, family and personal relations, employment relations, gifts and special offers rotation of CPAs, and non-audit services, and obtains a statement of independence issued by the accounting firm. The results of the most recent evaluations in the last two years were reviewed and approved to the Board on February 21, 2023 and February 29, 2024. The Company will evaluate the independence and suitability of its CPA, in addition to requiring statement of independence issued by the accounting firm, and refer to 13 indicators of audit quality indicators (AQIs), and report the evaluation results to the Board.	None
4. Has the Company allocated suitable and sufficient corporate governance staff and appointed a manager of corporate governance responsible for corporate governance matters (including, but not limited to, furnishing information required for business execution by directors, assisting directors in complying with laws and regulations, handling matters related to board and shareholder meetings in accordance with the laws, producing minutes of board and shareholder meetings, etc.)?	✓		The Company's Corporate Governance Officer has been officially approved by the Board of Directors on May 2, 2023, the Company also appoints qualified and appropriate personnel to handle the affairs of the board of directors in accordance to conducted matters relating to of the Audit Committee, the Compensation Committee, the board of directors and the general shareholders meeting, recorded minutes of Board Meetings and Shareholder Meetings, assisted in the matters of director appointment and profession enhancement, provided directors with related information required in conducting business, assist directors in compliance with laws, and regularly conduct performance evaluation pursuant to the rules for "Board of Directors Self-Assessment of Performance".	None
5. Has the Company established a communication channel and designated a website section for its stakeholders (including but not limited to shareholders, employees, customers, and suppliers) as well as to handle all CSR-related issues?	✓		The Company's website has established a dedicated section for Corporate Social Responsibility (CSR), which includes a communication area for stakeholders. This allows us to promptly understand and appropriately respond to sustainability issues that concern stakeholders.	None
6. Does the Company appoint a professional shareholder service agency to handle shareholder meeting affairs?	✓		The Company has engaged the Transfer Agency and Registry Department of Yuanta Securities Co., Ltd. to manage its annual general meeting.	None

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

Evaluation Criteria	Implementation Status			Reason for Non-implementation
	Yes	No	Explanation	
			<p>knowledge and follow the relevant laws and regulations to study securities regulations and other courses, and meet the requirements of the training hours. Please refer to the following Table 1: Directors' Continuing Education Records for fiscal year 2023. (Page 35).</p> <p>(6) Implementation of risk management policies and risk assessments: The Company has always carried out related risk management based on the principle of soundness, and has established a strict internal control system to prevent various risks. The internal audit unit regularly and irregularly checks the implementation of the internal control system, and also insures property insurance.</p> <p>(7) Implementation of customer relations policies: The Company maintains a stable and good relationship with customers and upholds the customer first policy to create company profits.</p> <p>(8) Insurance for directors: The Company has purchased liability insurance for directors to strengthen the protection of shareholders' rights and interests.</p>	

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

The following describes the improvements made by the Company in response to the evaluation recommendations for 2023, compared to 2022:

Item	Indicator	Status of Improvement
Voluntary Enhancement Measures	1.18	According to Indicator which it should be noted in the minutes of the shareholders' meeting that there were no shareholder questions raised during the regular meeting; the company's minutes of the shareholders' meeting for 2023 clearly state that no shareholders raised questions during the shareholders' meeting.
	3.9	According to Indicator which the company has completed the reporting of insider changes for the previous month by the 5th of each month.
Evaluation recommendations have been reinforced in 2022	4.6	The company has formulated a human rights protection policy and specific management plans in accordance with the International Covenant on Civil and Political Rights , and disclosed it on the Company's website.
	4.11	The company has disclosed the annual Greenhouse Gas (GHG), water usage, and total waste weight for the past two years on the company's website and in the annual report.
	4.12	The company's website has disclosed management policies, company initiatives, and achievements related to reducing greenhouse gas emissions, water usage, or other waste, as well as progress in implementing these measures.
	4.14	The Company's website has disclosed information about the identities of stakeholders, their concerns, communication responses, and channels.

Item	Indicator	Status of Improvement
	4.17	The Company's website has disclosed the company's policies on supplier management, compliance with environmental protection, occupational health and safety, and labor rights.
Priority Strengthening Areas	2.14	To establish a Sustainable Development Committee composed of independent directors and senior executives to continuously implement corporate sustainability goals.
	2.23	Planning for external evaluation of the board's performance.
	4.11	Plan to conduct greenhouse gas verification, ensure confidence, and prepare a sustainability report to continuously implement corporate sustainability goals

Table 1. Directors' Continuing Education Records for the Year 2023

Name	Training Period	Organizer	Course Name	Course Hours
Chairman Tie-Min Chen	October 26, 2023	Accounting Research and Development Foundation	ESG megatrends-corporate business challenges, responses and layout	3
	October 26, 2023	Accounting Research and Development Foundation	Sustainability and digital dual-axis transformation	3
Vice Chairman Fu-Chi Teng	July 4, 2023	Taiwan Stock Exchange Corporation	2023 Cathay Sustainable Finance and Climate Change Summit	6
	July 6, 2023	Corporate Operating and Sustainable Development Association	Corporate Governance and Securities Regulations-Executives of the listed companies with the understanding of supervision from governmental authority	3
Director Chia-Shuai Chang	October 26, 2023	Accounting Research and Development Foundation	ESG megatrends-corporate business challenges, responses and layout	3
	October 26, 2023	Accounting Research and Development Foundation	Sustainability and digital dual-axis transformation	3
Director Ying-Shis Huang	April 20, 2023	Corporate Operating and Sustainable Development Association	Corporate Governance and Securities Regulations-Executives of the listed companies with the understanding of supervision from governmental authority	3
	October 24, 2023	Corporate Operating and Sustainable Development Association	Legal Framework and Case Study Analysis of Insider Trading	3
Independent Director Pao-Shi Sheng	March 27, 2023	Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	Board of Directors and Supervisors Seminar - Corporate Resilience and Taiwan Competitiveness	3
	May 10, 2023	Securities and Futures Institute	How does a board of directors supervise a company to excel in corporate risk management and crisis handling?	3
Independent Director Nai-Jen Yeh	July 25, 2023 ~ July 26, 2023	Securities and Futures Institute	Directors and Supervisors (Including Independent Directors) and Corporate Governance Executive Practical Training Seminar - Taipei Session	12
Independent Director Chien-Wei Chen	July 4, 2023	Taiwan Stock Exchange Corporation	2023 Cathay Sustainable Finance and Climate Change Summit	6

#### 4.4 Compensation Committee and Nominate Committee Composition, Responsibilities and Operations

##### 1. Compensation Committee Composition, Responsibilities and Operations

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

- A. Establish a policy, system, standard and structure for directors' and managers' compensation and review them periodically.

B. Decide compensation of directors and managers and carry out periodic evaluations.

(1). Compensation Committee Member Profiles

Title	Name	Professional Qualification and Experience	Number of Other Public Companies in which the Individual is Concurrently Serving as Compensation Committee's Member
Independent Director	Nai-Jen Yeh	Please refer to Page 14~15 for “Qualifications and independence criteria of directors”	0
Independent Director	Pao-Shi Sheng		2
Independent Director	Chien-Wei Chen		1

(2). The Compensation Committee Operation

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

B. Current Compensation Committee Member Terms: May 18, 2023, through May 17, 2026;

In 2023, the 5th Compensation Committee convened 1 time(A) and the 6th Compensation Committee convened 1 time (A), with a total of 2 meetings(A). The following is the attendance of the directors :

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A)	Remarks
Convener	Ciou-Lin Chen	1	0	100.00	Stepped down on May 18, 2023
Member	Yong-Sheng Liu	1	0	100.00	Stepped down on May 18, 2023
Member	Pei-Jun Wu	1	0	100.00	Stepped down on May 18, 2023
Convener	Nai-Jen Yeh	1	0	100.00	Newly appointed
Member	Pao-Shi Sheng	1	0	100.00	Newly appointed
Member	Chien-Wei Chen	1	0	100.00	Newly appointed

Note : The Company held a comprehensive election at the Shareholders' Meeting on May 18, 2023.

C. Other Matters of Importance:

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

<b>Dates of Compensation Committee Meetings</b>	<b>Contents of Motion</b>	<b>Resolutions of the Compensation Committee</b>	<b>The Company's Responses to the Compensation Committee's Recommendations</b>
1st meeting of the 5th Compensation Committee in 2023 February 21, 2023	The 2022 earning distribution for compensation to directors and employee	Approved by all members in attendance.	Reported to the Board for review and approval.
	The Company's projected salary adjustment range in 2023		
	The Company's managerial compensation plan for 2023		
1st meeting of the 6th Compensation Committee in 2023 August 1, 2023	The Company's compensation plan for the newly appointed chairman of the board	Approved by all members in attendance.	Reported to the Board for review and approval.

## 2. Nominate Committee Composition, Responsibilities and Operations

The Company set up Nomination Committee on November 1, 2022. There are 3 members in the Company's Nominate Committee. The Committee is composed of three directors; a majority of the Committee members shall be independent directors (including two independent directors).

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

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

### (1). Nominate Committee Member Profiles

<b>Title</b>	<b>Name</b>	<b>Professional Qualification and Experience</b>	<b>Number of Other Public Companies in which the Individual is Concurrently Serving as an Independent Director</b>
Independent Director	Chien-Wei Chen	Please refer to Page 14 ~16 for "Qualifications and independence criteria of directors"	1
Independent Director	Pao-Shi Sheng		2
Independent Director	Nai-Jen Yeh		0

(2). The Nominate Committee Operation

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

B. Current Nominate Committee Member Terms: May 18, 2023, through May 17, 2026;

In 2023, the 1st Nominate Committee convened 1 time (A) and the 2th Compensation Committee convened 1 time (A), with a total of 2 meetings (A). The following is the attendance of the directors:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A)	Remarks
Convener	Pei-Jun Wu	1	0	100.00	Stepped down on May 18, 2023
Member	Yong-Sheng Liu	1	0	100.00	Stepped down on May 18, 2023
Member	Fu-Chi Teng	1	0	100.00	Stepped down on May 18, 2023
Convener	Chien-Wei Chen	1	0	100.00	Newly appointed
Member	Pao-Shi Sheng	1	0	100.00	Newly appointed
Member	Nai-Jen Yeh	1	0	100.00	Newly appointed


Note : The Company held a comprehensive election at the Shareholders' Meeting on May 18, 2023.

C. Other Matters of Importance:

In circumstances where the Board of Directors declines to adopt, or make modifications based on, recommendations from the Nominate Committee:

Dates of Nominate Committee Meetings	Contents of Motion	Resolutions of the Nominate Committee	The Company's Responses to the Nominate Committee's Recommendations
The 1st meeting of the 1st Nominate Committee in 2023 April 6, 2023	The list of candidates for nomination and review by the board of directors of the Company	Approved by all members in attendance.	Reported to the Board for review and approval.
The 1st meeting of the 2nd Nominate Committee in 2023 December 19, 2023	Amendment to the Company's Corporate Governance Best Practice Principles	Approved by all members in attendance.	Reported to the Board for review and approval.

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

Evaluation Criteria	Implementation Status		Reason for Non-implementation
	Yes	No	
1.Has the Company established a ESG unit (full- or part time), with a senior manager authorized by the Board of Directors to handle and report related activities to the Board of Directors?	✓	1. The structure of the Company to promote sustainable development is as following: <div></div>	None
		2.The implementation status of each organization of the company is as following: (1). The Company established Sustainable Development Unit on January 1, 2022 after reported to the 1st meeting of the 9th board of directors. The President serves as the convener, and the Investor Relations Department is a part-time unit for Sustainable Development Unit. (2). Implementation unit is formed by Human Resources Administration Department, Operations Division, Quality Assurance Division, and Sales Division. Investor Relations Department is responsible for align with the trends of corporate governance, promote the functioning of the board of directors, and implement regulatory compliance. Human Resources Administration Department is responsible for implement labor relations, employee health and safety, greenhouse gas emissions and waste management. Operations Division is responsible for improve supply chain management, assess raw material procurement and the physical impact of climate change. Quality Assurance Division is responsible for improve product quality and safety, and manage product life cycles. Sales Division is responsible for protect customer privacy, customer welfare, and manage product life cycles. (3). The Sustainable Development Unit reported the implementation status to the Board on August 1, 2023 and October 26, 2023 respectively. 3. The Board supervises strategy and implementation of sustainable development, and the Sustainable Development Unit reports the annual implementation priorities and performances, communication results of stakeholders to the Board at least twice per annum. The Board evaluates related strategies, and the effectiveness of implementation plans and urge management to make adjustments when required.	

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

Evaluation Criteria	Implementation Status			Reason for Non-implementation															
	Yes	No	Explanation																
			<p>and continues to implement various environmental management systems through third-party certification.</p> <p>The Company obtained ISO-14001 Environmental Management System certification in 2022. Following the environmental management policy of 'Reducing the Risk of Hazardous Substances' as the main focus, the Company pursue environmentally sustainable operations. The Company have set 'Managing CO2 Emissions', 'Reducing Waste Generation', and 'Green Procurement' as short-to medium-term performance indicators for environmental management. The latest certificate is valid from April 30, 2022, to April 29, 2025.</p>																
(2) Is the Company committed to improving the utilization efficiency of various resources and using recycled materials with a low environmental footprint?	✓		<p>The Company actively promotes various energy reduction measures, such as the selection of LED lighting equipment to continuously improve energy efficiency.</p> <p>The raw materials used by the Company are in compliance with the EU's RoHS, REACH, and halogen-free regulations. Suppliers who use recycled materials and renewable energy to manufacture products are given priority to reduce pollution and reduce the impact on the environment.</p>	None															
(3) Does the Company evaluate the impact of climate change on the Company's current and future potential risks and opportunities, and adopt measures to respond to climate-related issues?	✓		<p>In the annual ISO14001 management review meeting of the Company, relevant departments propose climate change strategies and objectives, countermeasures for managing climate change risks and opportunities, and continuously evaluate the potential risks and opportunities of climate change for the company. The Company continues to promote energy conservation, carbon reduction, Greenhouse gas reduction, reduction of water use and other waste management programs.</p>	None															
(4) Does the company collect information on greenhouse gas emissions, water consumption, and total weight of waste in the past two years, and formulate policies on energy conservation and carbon reduction, greenhouse gas reduction, water usage reduction, or other waste management policies?	✓		<p>1. The Company conducts greenhouse gas emission verification annually, greenhouse gas emission in the past two years:</p> <p style="text-align: right;">Unit: tCO<sub>2</sub>e</p> <table border="1"> <thead> <tr> <th>Year</th><th>Company</th><th>Scope 1 (Note1)</th><th>Scope 2</th><th>Intensity ratio</th></tr> </thead> <tbody> <tr> <td>111</td><td>APEC</td><td>10.68</td><td>459.19</td><td>3.56</td></tr> <tr> <td>112 (Note2)</td><td>APEC Group</td><td>30.14</td><td>523.65</td><td>3.62</td></tr> </tbody> </table> <p>Note1 : Category 1 Description:</p> <ol style="list-style-type: none"> <li>In 2023, a review and adjustment of organizational boundaries was conducted. The audit data for the company was 19.23 tons of CO<sub>2</sub>e, while for subsidiaries, it was 0.28 tons of CO<sub>2</sub>e.</li> <li>In 2023, with the addition of methane emissions from septic tanks as a new source, there were no significant differences in Scope 1 and Scope 2 emissions after deducting the audit data for our</li> </ol>	Year	Company	Scope 1 (Note1)	Scope 2	Intensity ratio	111	APEC	10.68	459.19	3.56	112 (Note2)	APEC Group	30.14	523.65	3.62	None
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Evaluation Criteria	Implementation Status			Reason for Non-implementation																				
	Yes	No	Explanation																					
			<p>company, which amounted to 10.63 tons of CO2e</p> <p>Note 2:</p> <p>The variation rate of Scope 1 and Scope 2 emissions exceeded 3% over the last two periods. Therefore, it is proposed to adjust the audit reference year to 2023.</p> <p>The Company has a five-year greenhouse gas emission reduction target, with an average growth rate of emissions not exceeding 5% in 2027, in order to mitigate the impact of climate change.</p> <p>2.The Company has long been paying attention to water resource environmental protection issues. In terms of water saving, by implementing daily water conservation, the effectiveness of water resource can be maximized. Water consumption in the past two years:</p> <p style="text-align: right;">Unit: tCO2e</p> <table><tr><th>Year</th><th>Premises</th><th>Total water consumption</th><th>Intensity ratio</th></tr><tr><td>111 (Note1)</td><td>Hsinchu Office</td><td>2,713.49</td><td>21.00</td></tr><tr><td>112 (Note2)</td><td>Hsinchu &amp; Taipei office</td><td>3,292.24</td><td>21.52</td></tr></table> <p>Note1:In 2022, the Company invested in various improvement measures, such as using water-saving apparatuses (including inductive water-saving faucet and water-saving toilet).</p> <p>Note2:Expansion of Taipei Office Premises in 2023.</p> <p>3. Waste disposal in the past two years:</p> <p style="text-align: right;">Unit: tCO2e</p> <table><tr><th>Year</th><th>Total waste disposal</th><th>Intensity ratio</th></tr><tr><td>2022</td><td>2.46</td><td>0.02</td></tr><tr><td>2023</td><td>13.27</td><td>0.09</td></tr></table> <p>(1) The Company is a fabless design company with no hazardous waste.</p> <p>(2) In the disclosure for the year 2022, the total weight of waste was reported solely under the category of 「D-0299 Mixed Plastic Waste」.</p> <p>(3) In 2023, the scope was expanded to include general waste. This was calculated based on the average daily per capita waste generation as disclosed by the Environmental Protection Department, multiplied by the total working hours for the year (within the scope of investigation), expressed in kilograms per hour.</p> <p>(4) For the purpose of achieving the maximum benefits of effective waste</p>	Year	Premises	Total water consumption	Intensity ratio	111 (Note1)	Hsinchu Office	2,713.49	21.00	112 (Note2)	Hsinchu & Taipei office	3,292.24	21.52	Year	Total waste disposal	Intensity ratio	2022	2.46	0.02	2023	13.27	0.09
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Evaluation Criteria	Implementation Status			Reason for Non-implementation									
	Yes	No	Explanation										
			management and recycling, The Company focuses on the reduction of waste. The Company effectively sorts out, recycles, re-uses, and properly disposes waste, and continues to limit the impact from storage, transportation, and processing of waste have on the environment. In order to effectively control the flow of waste, we have carefully selected qualified waste disposal and recycling suppliers, as well as audited the legitimacy of the waste disposal process randomly to take responsibility for supervising waste management.										
4. Social Responsibilities (1) Does the Company formulate appropriate management policies and procedures in accordance with relevant regulations and international human rights conventions?	✓		<div>This Company supports the spirit of protecting human rights and basic principles held in the United Nations' Universal Declaration of Human Rights, Global Compact, and Guiding Principles on Business and Human Rights, as well as the International Labor Organization's Declaration of Fundamental Principles and Rights at Work and other international conventions – to ensure that basic human rights are not violated, and that all employees are treated with dignity and respect. The Company's human rights policy is available on our website.</div> <table><tr><th>Task</th><th>Program and Outcomes</th></tr><tr><td rowspan="2">Protection of workplace human rights</td><td>1. Comply with local government labor laws, international standards, and APEC's Human Rights Policy, and act in accordance with internal regulations.</td></tr><tr><td>2. Provide employees with a work environment of gender equality and diversity; uphold the principles of openness and fairness; do not discriminate against people through language, attitudes, or acts on the basis of gender, race, class, age, marital status, language, beliefs, religion, political affiliation, ancestral home, place of birth, looks, facial features, disability status, etc.; and by doing so, create a work environment of dignity, safety and equality free from discrimination and harassment. As of end of December 2023, no discrimination complaints had been received.</td></tr><tr><td>Implementing Equal Pay for Equal Work</td><td>1. Provide employees with reasonable wages and social insurance as regulated by laws.</td></tr><tr><td></td><td>2. Help stabilize employees' livelihood, improve work efficiency, and implement a variety of benefit measures.</td></tr></table>	Task	Program and Outcomes	Protection of workplace human rights	1. Comply with local government labor laws, international standards, and APEC's Human Rights Policy, and act in accordance with internal regulations.	2. Provide employees with a work environment of gender equality and diversity; uphold the principles of openness and fairness; do not discriminate against people through language, attitudes, or acts on the basis of gender, race, class, age, marital status, language, beliefs, religion, political affiliation, ancestral home, place of birth, looks, facial features, disability status, etc.; and by doing so, create a work environment of dignity, safety and equality free from discrimination and harassment. As of end of December 2023, no discrimination complaints had been received.	Implementing Equal Pay for Equal Work	1. Provide employees with reasonable wages and social insurance as regulated by laws.		2. Help stabilize employees' livelihood, improve work efficiency, and implement a variety of benefit measures.	None
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Evaluation Criteria	Implementation Status			Reason for Non-implementation								
	Yes	No	Explanation									
			<table><tr><td>Providing a healthy, safe work environment</td><td>1. Make Zero Accidents the goal for management. 2. Conduct employee health examinations on a yearly basis, and carry out grade-appropriate tracking and management based on health examination results, to prevent health risks.</td></tr><tr><td>Prohibition on child labor</td><td>The Company's employment criteria comply with the minimum working age restrictions set by local regulations. As of end of December 2023, no child labor had been employed.</td></tr><tr><td>Establishment of an unobstructed communications platform for labor-management negotiation, to achieve harmonious relations</td><td>The Company emphasizes employee-friendly management, and realizes that employees and employer share the same prospects and enjoy the same prosperity. The Company holds regular labor-management meetings to maintain smooth communication between employees and the management.</td></tr><tr><td>Prohibition of forced and involuntary</td><td>Comply with local government labor laws, international standards, and APEC's Human Rights Policy to respect employees' wishes and prohibit forced labor.</td></tr></table> <p>The Company will pay close attention to issues related to human rights protection, and promote educational training to enhance awareness of human rights protection and reduce the incidence of related risks.</p>	Providing a healthy, safe work environment	1. Make Zero Accidents the goal for management. 2. Conduct employee health examinations on a yearly basis, and carry out grade-appropriate tracking and management based on health examination results, to prevent health risks.	Prohibition on child labor	The Company's employment criteria comply with the minimum working age restrictions set by local regulations. As of end of December 2023, no child labor had been employed.	Establishment of an unobstructed communications platform for labor-management negotiation, to achieve harmonious relations	The Company emphasizes employee-friendly management, and realizes that employees and employer share the same prospects and enjoy the same prosperity. The Company holds regular labor-management meetings to maintain smooth communication between employees and the management.	Prohibition of forced and involuntary	Comply with local government labor laws, international standards, and APEC's Human Rights Policy to respect employees' wishes and prohibit forced labor.	
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Prohibition of forced and involuntary	Comply with local government labor laws, international standards, and APEC's Human Rights Policy to respect employees' wishes and prohibit forced labor.											
(2) Does the company formulate and implement reasonable employee benefits (including compensation, vacation, and other benefits), and appropriately reflect operating performance or results in employee compensation?	✓		<p><b>Employee compensation</b></p> <p>The Company regularly measures the market compensation level, links company performance to employee compensation and bonus, and refers to overall economic indicators to formulate reasonable compensation, and ensures the overall compensation and bonus are competitive. Meanwhile, through regular performance appraisal and a two-way communication and interaction platform, and corresponding rewards are given according to performance results, so as to encourage employees and the Company to grow together.</p> <p>The Company provides sustainable, reasonable, and competitive compensation to attract top-tier talent and strengthen retention of existing employees. The Company has also established an employee shareholding trust to demonstrate the Company's goal of sharing operating results with employees. In addition to strengthening the retention of existing talents, it is also to attract outstanding talents to join the new bureau.</p> <p><b>Employee welfare measures</b></p>	None								

Evaluation Criteria	Implementation Status			Reason for Non-implementation											
	Yes	No	Explanation												
			<p>In addition to offering a flexible working hours system for employees, the company currently implements the following welfare measures :</p> <p>(1) Holistic Employee Health Management: Annual Health Check-ups and Counseling: Establishing an integrated health management and promotion service comprising physicians and nurses to ensure employee safety and well-being; Providing access to an on-site gym for employees to engage in physical activity during their leisure time.</p> <p>(2) Varied Employee Welfare Programs: Enhanced annual leave entitlements beyond statutory requirements; subsidies for marriage, bereavement, and childbirth; assistance for employee education and training; discounted rates for employee and family health check-ups; employee stock ownership trust; travel opportunities for employees; year-end bonuses and holiday bonuses for Dragon Boat Festival, Mid-Autumn Festival, and Labor Day; birthday bonuses; childcare allowances and reduced working hours for parents; bonuses for long-serving employees; departmental dinner subsidies, and a range of other employee welfare initiatives.</p> <p><b>Diversity and equality in the workplace</b></p> <p>The Company is committed to creating a friendly and fair workplace, providing equal compensations and promotion opportunities to talents. The proportion of female employees at was 57% on December 31, 2023, details as follows:</p> <table><tr><th rowspan="2">Categories</th><th>Female</th><th>Male</th></tr><tr><th>%</th><th>%</th></tr><tr><td>Senior Manager</td><td>15%</td><td>23%</td></tr><tr><td>All Employees</td><td>57%</td><td>43%</td></tr></table> <p>In addition, the Company value employee welfare, providing physical and mental healthcare for various employee groups to maintain a good working environment, including (1) maternal healthcare, such as setting up breastfeeding rooms; (2) providing professional consultation service in areas of work, family and mental health counseling through external Physicians.</p> <p><b>Business performance reflecting on employee compensation</b></p> <p>According to the Company’s Articles of Incorporation §22, if the company makes a profit during the year, no less than 8% shall be</p>	Categories	Female	Male	%	%	Senior Manager	15%	23%	All Employees	57%	43%	
Categories	Female	Male													
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Evaluation Criteria	Implementation Status			Reason for Non-implementation
	Yes	No	Explanation	
			<p>allocated for employee remuneration. However, when there are accumulated losses, the compensation amount shall be reserved in advance. Employees of the company meeting certain specific requirements are entitled to receive employee remuneration in shares or cash. The requirements are authorized to be determined by the Board.</p> <p>The Company's operating performance also reflects on employees' compensation, and employees' welfare expenses. The increase in employees' base salary and bonus expenses reflected from the link to the Company's operating performance demonstrates the spirit of profit sharing with employees and encourages all employees to make effort for the Company's target.</p> <p>According to statistics of the Taiwan Stock Exchange (TWSE), it shows an annual growth trend in terms of average cost of employee remuneration, average salary and median salary of full-time non-managerial employees.</p>	
(3) Does the Company provide a safe and healthy working environment, and provide training on health and safety and health for its employees on a regular basis?	✓		<p>The Company aims to provide a safe, healthy and comfortable working environment, promote health and safety management, so that employees can develop correct concepts and healthy minds and bodies. The Company purchased the Taipei office and renovated the Hsinchu office. In addition to the breastfeeding room, a gym and fitness facilities were added to create a high-quality and healthy working environment.</p> <p>The Company regularly implements work environment inspections and employee safety education. The Company established a "Procedure of the Occupational Safety and Health" and conducts annual health checks for employees to ensure their safety and health. In 2023, there were 320 trainees in occupational safety training, and the total number of training hours was 266 hours.</p> <p>In response to COVID-19 pandemic, the Company provided COVID-19 insurance, COVID-19 care leave, and established the COVID-19 pandemic network, and provided consultation and care by special personnel. In the past five years, there have been no occupational accidents in our company. From the year 2019 to 2023, the accumulated accident-free hours amounted to 1,188,598 hours.</p> <p>In the past five years, there have been zero instances of fire incidents in the company. From the year 2019 to 2023, the Company has consistently met the target of zero fire incidents.</p>	None

Evaluation Criteria	Implementation Status			Reason for Non-implementation
	Yes	No	Explanation	
(4) Does the Company establish effective career development programs for its employees?	✓		<p>The Company creates a good environment for the career development of employees, and establishes an effective career ability development training program, encourages employees to improve themselves, and participates in vocational training courses for different career abilities, so as to enhance their professional abilities and practice employees' careers. Development goals, and then achieve business goals.</p> <p>The Company plans a complete functional training, including newcomer training, professional advanced training, manager training, etc., to help employees continue to learn and grow through multiple learning methods, introduce corporate ethics, and cultivate colleagues' key capabilities.</p> <p>In the year 2023, the pre-employment training for new hires totaled 189 sessions, approximately 115.4 hours. Internal on-the-job training involved 1,532 sessions, approximately 802.4 hours. Additionally, external professional training involved 52 sessions, approximately 617 hours.</p>	None
(5) With respect to customer health and safety of products and services, customer privacy, marketing, and labeling, does the Company comply with relevant regulations and international standards, and formulate related consumer protection policies and appeal procedures?	✓		<p>The Company has established customer complaint handling procedures and established a customer-oriented quality system in order to achieve a win-win situation for the company and customers. In addition, the Company values customer opinions. In addition to individual visits, a special area for interested parties is also set up on the Company's website to provide contacts and methods for questions, complaints or suggestions to protect customer rights.</p> <p>The Company has a personal data protection management system to protect customer privacy. The Company protect customers' data through internal audits, crisis prevention and training.</p>	None

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

Evaluation Criteria	Implementation Status			Reason for Non-implementation
	Yes	No	Explanation	
7. Other important information to facilitate better understanding of the Company's ESG practices:				
To be philanthropic with our employees, the “Guidelines for Donations to Welfare Organization” are established. The employees may decide the amount and the counterparties they want to contribute to, and the Company will join the contribution. The Company will contribute the same amounts as the donations of the employees to the public welfare organizations.				
In adherence to corporate social responsibility, the Company and employees have collectively dedicated resources to social welfare initiatives, with a combined contribution totaling NTD\$4,418,600 details were as follows:				
(1).On June 20, 2023, the Company contributed NTD\$300,000 to the PUZANGALAN Children's Choir, comprised of indigenous Paiwan children from Pingtung. The choir participated in the 2023 International Brahms Choir Music Competition and stood out among 27 competing choirs, winning two championships and one runner-up title. Through their melodious voices, they not only showcased their talent but also brought Taiwan's presence to the global stage.				
(2).On September 22, 2023, a tragic explosion and fire occurred at factory in Pingtung, resulting in significant loss of life, including several firefighters and members of the public. In response, the Company and employees joined together to donate NTD\$ 200,000 to the "0922 Explosion Fire Relief Fund" managed by the Pingtung County Social Welfare Fund. This donation is aimed at providing assistance for the medical, living, and social reconstruction needs of the affected individuals.				
(3).In 2023, the Company and employees made regular donations totaling NTD\$918,600 to various organizations including the "Hsinchu Diocese Catholic Church's Miaoli County Private Holy Family Intellectual Disabilities Center," the "Liver Disease Prevention and Treatment Academic Foundation," the "Fu Shi Charitable Foundation," and others.				
(4).In the fourth meeting of the 10th Board Meeting in 2023, it was resolved to donate NTD\$3,000,000 to the " Yageo Foundation " to support its sponsorship of the international curatorial project "Capturing the Moment - A Journey through Painting and Photography" held at the Kaohsiung Museum of Fine Arts. This initiative aims to showcase Taiwan to the world.				

## 4.6 Climate-Related Information

### 1.Information on Implementation of Climate-Related Initiatives

Item	Execution
1. Describe the Board of Directors and management's oversight and governance of climate-related risks and opportunities.	1. The Board of Directors serves as the highest governing authority for managing climate change, who is responsible for guiding our company's responses and decisions regarding climate change, with the General Manager serving as the Chief Convener. The Company actively address the risks and challenges posed by climate change and regularly report on greenhouse gas inventories to the Board of Directors.
2. Describe how the identified climate risks and opportunities affect the Company's business, strategy and finances (in the short, medium and long term).	2. Short-term is defined as 1 to 3 years in the future, medium-term as 3 to 5 years, and long-term as 5 years or longer. Potential financial and operational impacts of major climate risks and opportunities of higher severity and probability were assessed, and contingency plans have been formulated accordingly. For example, short-term climate risks such as the imposition of the carbon tax/fee are expected to increase overhead costs. If upstream suppliers pass on the cost, it may result in an increase in our procurement costs and a decline in profit. Short-term climate opportunities such as participation in renewable energy programs may allow us to purchase renewable energy, which can help us spread the costs and risks of electricity use and reduce greenhouse gas emissions, thereby cutting our carbon tax/fee.
3. Describe the financial impact of extreme weather events and transition actions	3. Regarding major climate risks and opportunities, we have taken the potential risk to revenue, costs, capital expenditures, and other financial aspects into account.
4. Describe how the process of identifying, assessing and managing climate risks is integrated into the overall risk management system.	4. It is proposed to incorporate climate change risk into the internal management procedures.
5. If scenario analysis is used to assess resilience to climate change risks, describe the scenarios, parameters, assumptions, analysis factors and key financial impacts used.	5. The Company conducted risk simulations using three scenarios : (1) National Net-Zero Pathway in Taiwan, which mainly assesses domestic regulatory risks; (2) The SSP1-1.9 scenario from the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report, which represents an extremely low-emissions scenario; and (3) an annual reduction rate of 4.2% as required by the Science-Based Targets Net-Zero (SBT-NZ)

Item	Execution															
	Standard for carbon emissions. We analyzed how potential climate risks under the different scenarios can affect regulations, technologies, markets, and brand reputation, and determined the related parameters, assumptions, analytical factors, and main financial impacts. For more information, please refer the Sustainability Report.															
6. If there is a transition plan to address and manage climate-related risks, describe the content of the plan, and the metrics and targets used to identify and manage physical and transition risks.	6. We actively strive for carbon neutrality to slow down climate change and are urging the fabs to achieve net-zero emissions by 2050. We have also set climate targets.															
7. If internal carbon pricing is used as a planning tool, describe the basis for setting carbon price.	7. Internal carbon pricing was not implemented in 2023.															
8. If climate-related targets are set, describe information such as the activities covered, the scope of greenhouse gas emissions, the planning timeline, and the progress made in achieving them each year; if carbon offsets or renewable energy certificates (RECs) are used to achieve the relevant targets, describe the source and quantity of carbon offset credits or renewable energy certificates (RECs) to be offset.	8. Climate-related goals have not yet been established.															
9. Please refer to Table 1 below for GHG inventory and assurance and reduction targets, strategies and specific action plan	9. Greenhouse gas inventory information : (1).Recent two-year greenhouse gas inventory situation of the company: Unit: tCO <sub>2</sub> e <table><tr><th>Year</th><th>Company</th><th>Scope 1</th><th>Scope 2</th><th>Intensity ratio</th></tr><tr><td>111</td><td>APEC</td><td>10.68</td><td>459.19</td><td>3.56</td></tr><tr><td>112</td><td>APEC Group</td><td>30.14</td><td>523.65</td><td>3.62</td></tr></table> (2).Recent two-year company greenhouse gas inventory hasn't been confirmed to have been conducted.	Year	Company	Scope 1	Scope 2	Intensity ratio	111	APEC	10.68	459.19	3.56	112	APEC Group	30.14	523.65	3.62
Year	Company	Scope 1	Scope 2	Intensity ratio												
111	APEC	10.68	459.19	3.56												
112	APEC Group	30.14	523.65	3.62												

#### 4.7 Ethical Corporate Management and Differences and Causes of CSR Practices

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

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
			relevant issues in order to achieve results rapidly and effectively.	
(4) Has the Company established an effective accounting system and internal control system to facilitate ethical corporate management? Does its internal audit team provide risk assessment results and formulate audit plans related to unethical conduct, and audit compliance of nonethical conduct measures, or does the Company engage external CPAs to implement such audits?	✓		The Company has built up an effective accounting system and internal control systems that is constantly under review and evaluation to ensure the system's design and execution remains effective. The internal auditors formulate relevant audit plans based on the assessment results of the risk of unethical behavior, and prepare an audit report and submit it to the board of directors.	None
(5) Does the Company regularly hold internal and external educational trainings on ethical corporate management?	✓		The Company regularly hosts training courses related to integrity management. In 2023, we conducted integrity management training sessions, including topics on compliance such as integrity management and insider trading, through the TMS Education and Training Platform. These courses covered areas of compliance, internal control systems, and ISO environmental health and safety, totaling 13.3 hours. A total of 2,492 employees participated in all courses, accumulating approximately 1,484.3 hours.	None
3. Reporting ethical violations				
(1) Has the Company formulated a concrete whistleblowing and incentive system, established a convenient whistleblowing channel, and assigned appropriate personnel to handle the cases of those who have reports raised against them?	✓		The Company establishes and announces an independent mailbox in accordance with the "Measures for Reporting Cases of Illegal, Unethical or Dishonest Behavior" for internal and external personnel to use. E-mail: audit@a-power.com.tw	None
(2) Has the Company established standard operating procedures for handling whistleblowing claims and, after a complete investigation, follow-up measures and mechanisms related to maintaining confidentiality?	✓		The Company has formulated the "Measures for Reporting Cases of Illegal, Unethical or Dishonest Behavior", and in accordance with relevant measures, subsequent review and improvement measures will be reported to the board of directors. The identity and content of the whistleblowers are indeed confidential.	None
(3) Does the Company provide proper whistleblower protection?	✓		The Company established precautions in order to protect whistleblowers.	None
4. Enhancing information disclosure Does the Company disclose its established ethical corporate management policies and promotion results on its website and MOPS?	✓		The Company has disclosed the "Code of Integrity Management" and "Code of Ethical Conduct" on its official website and on MOPS. Please refer to the company's website: Corporate Governance for information on the effectiveness of promoting integrity management, education and training, and handling of complaints.	None
5.If the Company has established ethical corporate management policies based on the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies," please describe any discrepancies between the policies and their implementation: With no discrepancies.				

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies:				
(1) The Company strictly abides by the Company Act, the Securities and Exchange Act, Business Entity Accounting Act, publicly traded relevant rules and other relevant laws and regulations of business conduct as the basis for the implementation of the integrity management.				
(2) Please refer to the Company’s official website <a href="http://www.a-power.com.tw/">http://www.a-power.com.tw/</a> for the Ethical Corporate Management Best Practice Principles.				

#### 4.8 Access to Corporate Governance Rules and Procedures:

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

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

##### 4.8.1 Key Management Continuing Education Records for fiscal year 2023

Name	Training Period	Organizer	Course Name	Course Hours
Chairman Tie-Min Chen	October 26, 2023	Accounting Research and Development Foundation	ESG megatrends-corporate business challenges, responses and layout	3
	October 26, 2023	Accounting Research and Development Foundation	Sustainability and digital dual-axis transformation	3
Vice Chairman & CSO Fu-Chi Teng	July 4, 2023	Taiwan Stock Exchange Corporation	2023 Cathay Sustainable Finance and Climate Change Summit	6
	July 6, 2023	Corporate Operating and Sustainable Development Association	Corporate Governance and Securities Regulations-Executives of the listed companies with the understanding of supervision from governmental authority	3
President Chia-Shuai Chang	October 26, 2023	Accounting Research and Development Foundation	ESG megatrends-corporate business challenges, responses and layout	3
	October 26, 2023	Accounting Research and Development Foundation	Sustainability and digital dual-axis transformation	3
Vice President of Finance & HR Administration Division Mei-Ying Tan	June 15, 2023 ~ June 16, 2023	Accounting Research and Development Foundation	Continuing Development Course of Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12
Corporate Governance Officer Mei-Ying Tan	April 27, 2023	Taiwan Stock Exchange Corporation	Promotion Seminar on Sustainable Development Action Plans for Listed Companies	3
	May 26, 2023	Environmental Protection Administration	Green Chemistry Creates Sustainability Together	3
	Sep 04, 2023	Financial Supervisory Commission	Morning session of "The 14th Taipei Corporate Governance Forum"	3

## 4.10 Internal Control Systems

### (1). Statement of Internal Control System

#### Statement of Internal Control System

Date: February 29, 2024

Based on the results of self-assessments, Advanced Power Electronics Co., Ltd. states the following with regard to its internal control system during the year 2023.

1. Our board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and we take immediate remedial actions in response to any identified deficiencies.
3. We evaluate the design and operating effectiveness of our internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component contains certain elements which stated in the Regulations.
4. We have evaluated the design and operating effectiveness of our internal control system according the aforesaid Regulations.
5. Based on the results of evaluation, we believe that, on December 31, 2023, we have maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of our annual report for the year 2023 and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchanges Act.
7. This statement was approved by the board of directors in their meeting held on February 29, 2024, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Advanced Power Electronics Co., Ltd.

Chairman : Tie-Min Chen

President : Chia-Shuai Chang



(2). Auditor Review Report: None.

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

None.

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

(1). Major Resolutions and Execution Status of 2023 General Shareholders' Meeting

The 2023 Annual General Shareholders' Meeting was held at Zhubei City, Hsinchu County on May 18, 2023. Major resolutions and execution Status are as follows:

A. The Company's 2022 business report and financial statements and the 2022 earnings distribution of the Company.

Status: The shareholders' meeting approved the consolidated revenues for 2022 was NT\$3.911 billion, the net profit was NT\$897 million, and earnings per share of NT\$8.83. For 2022 earnings distribution, cash dividend paid to the shareholders NT\$4.97667326 per share; June 10, 2023 is the ex-dividend date and June 25, 2023 is the dividend payment record date.

B. To approve revisions to the Articles of Incorporation.

Status: Resolution passed. Registration approved by the Ministry of Economic Affairs and to be announced on the company's website on June 12, 2023.

C. To approve the amendment to the Operational Procedures for Lending Funds to Others.

Status: Resolution passed. In accordance with the amended regulations, the procedure will be conducted, and the announcement will be made on the Market Observation Post System (MOPS).

D. To elect the Company's 10th term of Directors.

Status: Appointment of seven Directors, (including three Independent Directors), has been finalized. Congratulations on the registration approval by the Ministry of Economic Affairs on June 12, 2023. The elected list is as follows :

Directors: Mr. Tie-Min Chen, Mr. Fu-Chi Teng, Representative of Future Technology Consulting, Inc., Mr. Chia-Shuai Chang Representative of XSemi Corporation and Ying-Shis Huang.

Independent Directors : Mr. Pao-Shi Sheng, Mr. Nai-Jen Yeh, Mr. Chien-Wei Chen.

E. To approve the lifting of director of non-competition restrictions.

Status: Resolution passed. Agreed upon the dissolution of the 10th term.

Mr. Tie-Min Chen, Mr. Fu-Chi Teng, Representative of Future Technology Consulting, Inc., Mr. Chia-Shuai Chang Representative of XSemi Corporation and Ying-Shis Huang. Mr. Pao-Shi Sheng and Mr. Chien-Wei Chen who were subjected to non-compete restrictions.

## (2). Major Resolutions of Board Meetings

The Board of Directors convened 8 meetings (A) in fiscal year 2023 and up to the publication date of this annual report, of which major resolutions are as follows:

- A. The 1st meeting of the 9th Board of Directors in 2023 on February 21, 2023
  - The Company's business operation plan (including budget) for year 2023.
  - The change of Certified Public Accountant of the Company.
  - The independence and suitability evaluation report of the CPAs appointed by the Company.
  - The distribution of the 2022 employees' and directors' compensation.
  - The 2022 Business report and Financial Statements of the Company.
  - The 2022 earnings distribution of the Company.
  - To elect the Company's 10th term of Directors.
  - The revisions to the Articles of Incorporation.
  - The revisions to the Operational Procedures for Loaning Funds to Others.
  - The date and agenda of 2023 Annual General Shareholders' Meeting and proposals from the shareholders.
  - The 2022 Internal Control Statement of the Company.
- B. The 2nd meeting of the 9th Board of Directors in 2023 on April 6, 2023
  - The list of director candidates nominated and reviewed by the Board of Directors of the Company.
  - The Company lifts the non-compete restrictions for the newly appointed directors and their representatives.
  - The revisions to the Articles of Incorporation.
  - The Company issue new shares for subscription through the 2020 employee stock options.
- C. The 3rd meeting of the 9th Board of Directors in 2023 on May 2, 2023
  - The Company's consolidated financial report for the first quarter of 2023.
  - The Company appoints a corporate governance officer.
- D. The 1st meeting of the 10th Board of Directors in 2023 on May 18, 2023
  - The appointment of the chairman and vice-chairman for the 10th session of the Board.
  - The appointment of members to the sixth session of the Compensation Committee and the appointment of its member.
  - The establishment of the fourth session of the Audit Committee.
  - The appointment of members to the second term of the Nomination Committee.
  - Approved to the ex-dividend base date and ratio for the cash dividends of 2022.
- E. The 2nd meeting of the 10th Board of Directors in 2023 on August 1, 2023
  - The Company's consolidated financial report for the second quarter of 2023.
  - The establishment of the Non Assurance Services Pre-approval Policy.
- F. The 3rd meeting of the 10th Board of Directors in 2023 on October 26, 2023
  - The Company's consolidated financial report for the third quarter of 2023.
  - 2023 the delegation compensation of CPAs.
  - 2024 Internal Audit Plan.
  - The Appointment of Management Personnel of the Company.
- G. The 4th meeting of the 10th Board of Directors in 2023 on December 19, 2023
  - The Company's business operation plan (including budget) for year 2024.
  - Amendment to the Company's Corporate Governance Best Practice Principles.

- The Donation to the Yageo Foundation of the Company.
- H. The 1st meeting of the 10th Board of Directors in 2024 on February 29, 2024
- The evaluation of the suitability and independence of appointed CPAs.
  - The distribution of the 2022 employees' and directors' compensation.
  - The Company's business operation plan for year 2023.
  - The 2023 earnings distribution of the Company.
  - The 2023 Internal Control Statement of the Company.
  - The amendment to Articles of Incorporation.
  - The date and agenda of 2022 Annual General Shareholders' Meeting and proposals from the shareholders.

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

None.

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

None.

**5. Certified Public Accountant, or CPA, Professional Fees**

Unit: NT\$'000

Accounting Firm	Name of CPA	Audit Period	Audit Fee	Non-audit Fee (Note)	Total	Remarks
Deloitte & Touche	Chien-Liang Liu Wen-Chin Lin	January 1, 2023 ~ December 31, 2023	2,500	10	2,510	

Note: Salary checklist for full-time employees who are not in managerial positions.

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

None.

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

In the fiscal year 2023, audit fees decreased by NT\$450 thousand compared to the previous year, representing a reduction rate of 15.25%. This decrease was attributed to a decrease in revenue in 2023 and renegotiations with the accounting firm.

**6. Change of Certified Public Accountant**

None.

**7. Audit Independence for the Most Recent Year**

None.

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

### 8.1 Shareholding Changes of Directors, Managers and Major Shareholders

Title	Name	2023		As of March 31, 2024	
		Shares Increase (Decrease)	Pledged Shares Increase (Decrease)	Shares Increase (Decrease)	Pledged Shares Increase (Decrease)
Chairman	Tie-Min Chen	0	0	0	0
Vice Chairman	Future Technology Consulting, Inc. Representative: Fu-Chi Teng	85,000	0	0	0
Director & Major Shareholders with Shareholding of 10%	XSemi Corporation Representative: Chia-Shuai Chang	0	0	0	0
Director	Ying-Shis Huang	0	0	0	0
Independent Director	Pao-Shi Sheng	0	0	0	0
Independent Director	Nai-Jen Yeh	0	0	0	0
Independent Director	Chien-Wei Chen	0	0	0	0
CSO	Fu-Chi Teng	95,592	0	56,000	0
President	Chia-Shuai Chang	0	0	0	0
President (Note)	Lin-Chung Huang	0	0	0	0
Vice President of Finance & HR Administration Division & Corporate Governance Officer	Mei-Ying Tan	56,365	0	32,000	0
Vice President of R&D Division	Jau-Yan Lin	(35,365)	0	(12,000)	0
Vice President of Product Engineering Division	Meng-Hui Lin	(79,635)	0	(21,000)	0
Vice President of Sales Division	Chien-Hsueh Lin	44,000	0	36,000	0

Note: General Manager Lin-Chung Huang stepped down from his position on November 1, 2023. Therefore, changes in shareholdings for 2023 are not applicable.

### 8.2 Stock Trade with Related Party

None.

### 8.3 Stock Pledge with Related Party

None.

## 9. Relationship among the Top Ten Shareholders

As of March 31, 2024

NAME	Current Shareholding		Spouses' and Minors' Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
XSemi Corporation	35,000,000	29.49	0	0.00	0	0.00	Tie-Min Chen	Chairman of the Company	
XSemi Corporation Representative: Tie-Min Chen	0	0.00	0	0.00	0	0.00	XSemi Corporation	Chairman of the Company	
Future Technology Consulting, Inc.	3,169,899	2.67	0	0.00	0	0.00	Fu-Chi Teng	Chairman of the Company	
Future Technology Consulting, Inc. Representative: Fu-Chi Teng	2,091,694	1.76	0	0.00	0	0.00	Future Technology Consulting, Inc.	Chairman of the Company	
Fu-Chi Teng	2,091,694	1.76	0	0.00	0	0.00	Future Technology Consulting, Inc.	Chairman of the Company	
Ko-Yu Yu	850,896	0.72	0	0.00	0	0.00	None	None	
Taishin Bank Trust Account 2022 Restricted Employee Shares	700,000	0.59	0	0.00	0	0.00	None	None	
Shou-Yan Liu	536,000	0.45	0	0.00	0	0.00	None	None	
CTBC Bank Trust Account- ESOP Trusts	351,827	0.30	0	0.00	0	0.00	None	None	
Mega International Commercial Bank Co., Ltd. Trustee Custodian for PGIM Prudential High Growth Securities Investment Trust Fund Corporate Account	324,000	0.27	0	0.00	0	0.00	None	None	
Citibank (Taiwan) Commercial Bank, Trustee Custodian for UBS Europe SE Investment Fund Corporate Account	315,178	0.27	0	0.00	0	0.00	None	None	
Sheng -Wei Wu	300,000	0.25	0	0.00	0	0.00	None	None	

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

As of December 31, 2023

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

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

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

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

## **4 Capital and Shares**

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

# Capital and Shares

## 1. Capital and Shares

### 1.1 Source of Capital

As of March 31, 2024

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$'000)	Shares	Amount (NT\$'000)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2018.03	10	200,000,000	2,000,000	81,340,493	813,404.93	Cash	-	Note 1
2022.06	82.48	200,000,000	2,000,000	116,340,493	1,163,404.93	Private placement/ Cash	-	Note 2
2022.11	10	200,000,000	2,000,000	117,340,493	1,173,404.93	Restricted Employee Shares	-	Note 3
2023.03	10	200,000,000	2,000,000	117,890,493	1,178,904.93	Employee stock options	-	Note 4
2024.03	10	200,000,000	2,000,000	118,681,193	1,186,811.93	Employee stock options	-	Note 5

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

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

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

Note 4 : The MOEA No. 11230098560 on June 12, 2023.

Note 5 : The MOEA registration has not been completed.

As of March 31, 2024

Share Type	Authorized Capital					Remark
	Outstanding shares			Unissued shares	Total	
	Listed	Private placement	Total			
Common stock	83,681,193	35,000,000	118,681,193	81,318,807	200,000,000	

Shelf-registration system: None.

### 1.2 Composition of Shareholders

As of March 31, 2024

Shareholder Structure	Government Agencies	Financial Institutions	Other Institutions	Individuals	Foreign Institutions & Individuals	Total
Number of Shareholders	0	0	282	49,463	75	49,820
Shareholding (shares)	0	0	40,453,717	76,641,811	1,585,665	118,681,193
Shareholding %	0	0	34.08	64.59	1.33	100.00

### 1.3 Shareholding Distribution

As of March 31, 2024

Shareholding Range (Unit: Share)	Number of Shareholders	Shareholding (shares)	Shareholding (%)
1 - 999	28,863	1,248,121	1.05
1,000 - 5,000	18,279	33,221,828	27.99
5,001 - 10,000	1,642	12,862,740	10.84
10,001 - 15,000	406	5,219,772	4.40
15,001 - 20,000	239	4,430,485	3.73
20,001 - 30,000	173	4,442,743	3.74
30,001 - 40,000	70	2,530,996	2.13
40,001 - 50,000	40	1,873,541	1.58
50,001 - 100,000	73	5,310,741	4.47
100,001 - 200,000	19	2,358,732	1.99
200,001 - 400,000	10	2,833,005	2.39
400,001 - 600,000	1	536,000	0.45
600,001 - 800,000	1	700,000	0.59
800,001 - 1,000,000	1	850,896	0.72
>1,000,001	3	40,261,593	33.93
Total	49,820	118,681,193	100.00

### 1.4 Major Shareholders

As of March 31, 2024

Major Shareholder	Shareholding (shares)	Shareholding (%)
XSemi Corporation	35,000,000	29.49
Future Technology Consulting, Inc.	3,169,899	2.67
Fu-Chi Teng	2,091,694	1.76
Ko-Yu Yu	850,896	0.72
Taishin Bank Trust Account Restricted Employee Shares	700,000	0.59
Shou-Yan Liu	536,000	0.45
CTBC Bank Trust Account-ESOP Trusts	351,827	0.30
Mega International Commercial Bank Co., Ltd. Trustee Custodian for PGIM Prudential High Growth Securities Investment Trust Fund Corporate Account	324,000	0.27
Citibank (Taiwan) Commercial Bank, Trustee Custodian for UBS Europe SE Investment Fund Corporate Account	315,178	0.27

Major Shareholder	Shareholding (shares)	Shareholding (%)
Sheng-Wei Wu	300,000	0.25

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

Items		Year	2022	2023	2024 (As of March 31)
Market Price per Share (NT\$)	Highest		148.00	117.50	98.50
	Lowest		87.60	80.30	83.50
	Average		107.99	98.72	88.41
Net worth per share (NT\$)	Before earnings appropriation		46.70	45.06	-
	After earnings appropriation		41.70	Note 1	-
Earnings per share (NT\$)	Weighted average shares (thousand shares)		101,957	116,850	-
	Earnings per share		8.83	2.83	-
Dividends per share (NT\$)	Cash dividends		5.00	Note 1	-
	Stock dividends	Retained earnings	0	Note 1	-
		Capital surplus	0	Note 1	-
	Accumulated Undistributed Dividends		0	0	-
Return on Investment	Price/ Earnings Ratio (Note 2)		12.23	34.88	-
	Price/ Dividend Ratio (Note 3)		21.60	Note 1	-
	Cash Dividend Yield Rate% (Note 4)		4.63	Note 1	-

Note 1: The appropriation amount for 2023 has yet to be approved at the AGM.

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

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

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

## **1.6 Dividend Policy and Distribution of Earnings**

### **(1). Dividend policy under Articles of Incorporation**

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

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

The Board meeting passed the proposal of dividend distribution as NT\$ 2.50 per share in cash on February 29, 2024; the proposal is not yet approved by the annual shareholders' meeting.

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

## **1.7 Impact of Stock Dividend Distribution on Business Performance and EPS**

None.

## **1.8 Employees' and Directors' Compensation**

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

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

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

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

### **(3). 2023 employees' and directors' compensation proposals adopted by the BoD**

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

The 2023 employee bonuses and directors' compensation approved by the Board of Directors on February 29, 2024 totaled NT\$54,818,519 and NT\$6,852,315, respectively, in the form of cash. There is no difference between the actual distribution and the accrued amount in the 2023 financial reports.

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

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

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

## 1.9 Share Repurchase by the Company

None.

## 2. Corporate Bonds

None.

## 3. Preferred Shares

None.

## 4. Overseas Depository Receipts

None.

## 5. Employee Stock Options

### 5.1 Status of employee stock options that have yet to mature

As of December 31, 2023

Type	5th (2018) Employee Stock Options	6th (2020) Employee Stock Options
Date of Effective Registration and Number of Options	May 2, 2018 2,000,000	December 1, 2020 2,000,000
Issue (Grant) Date	May 10, 2018	March 9, 2021
Number of Options Granted	2,000,000	2,000,000
Number of Options not Granted	0	0
Percentage of Shares Exercisable to Outstanding Common Shares	1.70%	1.70%
Option Duration	6 years	6 years
Source of Option Shares	New Common Share	New Common Share
Vesting Schedule	2nd Year: Up to 40% 3rd Year: Up to 70% 4th Year: Up to 100%	2nd Year: Up to 40% 3rd Year: Up to 70% 4th Year: Up to 100%
Shares Exercised	0	1,340,700
Value of Shares Exercised	0	51,589,390
Shares Unexercised	43,000	617,600
Adjusted Exercise Price Per Share (NT\$)	21.10	37.70
Percentage of Shares Unexercised to Outstanding Common Shares	0.04%	0.52%
Impact to Shareholders' Equity	Dilution to shareholder's equity is limited	Dilution to shareholder's equity is limited

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

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

Unit: NT'000; thousand Shares

	Title	Name	Number of Option Acquired	Number of Option Acquired/ Number of Option Issued	Exercised				Not exercised			
					Number of Option	Exercise Price (NT\$)	Option amount	Number of Option / Number of Option Issued	Number of Option	Exercise Price (NT\$)	Option amount	Number of Option / Number of Option Issued
Managerial Officer & Employee	Managerial Officer	Fu-Chi Teng	480	0.41%	312	39.60 ~ 37.70	11,800.4	0.26%	168	37.70	6,333.6	0.14%
	Managerial Officer	Lin-Chung Huang										
	Managerial Officer	Jau-Yan Lin										
	Managerial Officer	Meng-Hui Lin										
	Managerial Officer	Mei-Ying Tan										
	Managerial Officer	Chien-Hsueh Lin										
	Employee	Yan-yuan Huang	570	0.48%	3996	39.60 ~ 37.70	15,357.7	0.34%	171	37.70	6,446.7	0.15%
	Employee	Qing-tian Zhao										
	Employee	Cai-lun Peng										
	Employee	Qing-xun Zheng										
	Employee	Jun-yuan Zheng										
	Employee	Feng-chun Ye										
	Employee	Wen-wen Zeng										
	Employee	Qi-feng Zeng										
	Employee	Yu-sheng Zeng										
	Employee	Xue-lin Lu										

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

## 6. Restricted Employee Shares

### 6.1 Status of New Restricted Employee Shares

As of March 31, 2024

Type of New Restricted Employee Shares	2022 New Restricted Employee Shares
Date of Effective Registration and Total Shares of issuance	May 20, 2022 1,000,000
Issue date	October 13, 2022
Number of New Restricted Employee Shares Issued	1,000,000
Number of New Restricted Employee Shares to be Issued	0
Issued Price (NT\$)	None
New Restricted Employee Shares as a Percentage of Shares Issued	0.85%

Type of New Restricted Employee Shares	2022 New Restricted Employee Shares								
Vesting Conditions of New Restricted Employee Shares	<p>An employee’s continuous employment with the Company through the vesting dates; no breach by the employee of any terms of any agreement with the Company to which the employee is subject, including, without limitation, the employee’s employment terms and conditions or any other employment-related agreement, any non-competition or confidentiality agreements; no violation by the employee of employee handbook; and, the achievement by the employee of the employee’s individual performance goals, and the Company’s achievement of operational objectives during the applicable Performance Period. The maximum percentage of granted RSAs that may be vested each year shall be as follows: one-year anniversary of the grant: 30%; two-year anniversary of the grant: 30%; and three-year anniversary of the grant: 40%.</p> <p>a. The individual performance goals are the employee’s year-end performance rating for the year preceding the vesting date at “A” rating or higher for the performance year preceding each vesting date.</p> <p>b. The Company's operating operational objectives indexes include the revenue growth rate and operating margin (“OPM%”); provided that the achievement level of the indexes in each year will be calculated based on the achievement of the Company’s business performance metrics, as detailed in the following point. The achievement of one of the indexes is deemed to have achieved. The judgement of the achievement level of the indexes shall be based on the Company’s consolidated financial statements certified by a certified public accountant for the corresponding performance periods. The actual percentage and number of the RSAs to be vested in each year will be calculated based on the achievement of the Company’s business performance metrics and the employee’s achievement of job performance criteria, which will be set by the Company and agreed with the employee.</p> <table><tr><td>Company’s Operation Objectives</td><td>Operating Target A</td><td>Operating Target B</td></tr><tr><td>Revenue</td><td>Increase ≥ 5% YoY</td><td rowspan="2">Higher than the average of previous three years</td></tr><tr><td>Operating Margin (%)</td><td>Increase ≥ 2% YoY</td></tr></table>	Company’s Operation Objectives	Operating Target A	Operating Target B	Revenue	Increase ≥ 5% YoY	Higher than the average of previous three years	Operating Margin (%)	Increase ≥ 2% YoY
Company’s Operation Objectives	Operating Target A	Operating Target B							
Revenue	Increase ≥ 5% YoY	Higher than the average of previous three years							
Operating Margin (%)	Increase ≥ 2% YoY								
Restricted Rights of New Restricted Employee Shares	<p>a. Except for inheritance, employees are prohibited from and shall not sell, pledge, transfer, give to another person, create any encumbrance on, or in any other way dispose of any unvested RSAs.</p> <p>b. Rights to attend the Company’s shareholder’s meeting, submit proposals, or speak and vote at the meeting attributed to ownership of stock with respect to any unvested RSAs will be the same as those of the common shares of the Company but shall be subject to and performed in accordance with the trust agreement.</p> <p>c. Rights to dividends, interest, capital reserve, and share subscription warrants attributed to ownership of stock with respect to any unvested RSAs will be the same as those of the common shares of the Company and shall be subject to and performed in accordance with the trust agreement.</p> <p>d. If any Shares vest on a date that falls during a period in which the Company is prohibited from altering the Company’s shareholders’ roster, including but not limited to, for reasons pertaining to the Company’s issuance of bonus or cash dividends, or conducting a rights offering, convening shareholder’s meeting pursuant to paragraph 3 of Article 165 of the Company Act, the release of the restrictions on such RSAs set forth in this Article 6 shall be in accordance with the trust agreement and applicable laws and regulations.</p>								
Custody Status of New Restricted Employee Shares	<p>a. All Shares under each RSAs under these Rules shall be deposited in a trust/custody governed by the trust agreement immediately after the granting of the RSAs and execution of Company-required documentation. The employee shall have no right to request and shall not request that the trustee(s) release unvested RSAs held in the trust account for any reason or in any method.</p> <p>b. During the period when the granted RSAs are deposited in a trust/custody account, each employee must enter into an agreement authorizing the Company to, among others, negotiate, execute, modify, extend, rescind, and terminate the trust/custody agreement with the trustee/custodian, and give instructions to deliver, use, and dispose of any of the properties under the trust/custody, on their behalf, with full power and authority.</p>								

Type of New Restricted Employee Shares	2022 New Restricted Employee Shares
Measures to be Taken When Vesting Conditions are not Met	a. All unvested RSAs will be forfeited and canceled by the Company without consideration in accordance with these Rules. b. Any unvested RSAs will be forfeited on the effective date of separation due to a voluntary separation, separation with a severance, or retirement of such executives. The Company will reclaim the RSAs granted to them and cancel the same at no extra cost to the Company.
Number of New Restricted Employee Shares that have been Redeemed or Bought Back	0
Number of Released New Restricted Employee Shares	300,000
Number of Unreleased New Restricted Employee Shares	700,000
Ratio of Unreleased New Restricted Employee Shares to Total Issued Shares (%)	0.59%
Impact on possible dilution of shareholdings	Dilution of original shareholders' holding is limited.

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

As of March 31, 2023; Unit: shares

	Title	Name	No. of New Restricted Shares	New Restricted Shares as a Percentage of Shares Issued (Note)	Released			Released Restricted Shares as a Percentage of Shares Issued (Note)	Unreleased			
					No. of Shares	Issued Price (NT\$)	Amount		No. of Shares	Strike Price (NT\$)	Amount	Unreleased Restricted Shares as a Percentage of Shares Issued (Note)
Managerial officer and employee	Chairman and CSO	Fu-Chi Teng										
	Spokesperson	Lin-Chung Huang										
	Vice President	Jau-Yan Lin	680,000	0.58%	204,000	0	0	0.17%	476,000	0	0	0.41%
	Vice President	Meng-Hui Lin										
	Vice President	Mei-Ying Tan										
	Vice President	Chien-Hsueh Lin										
	Employee	Yan-yuan Huang										
	Employee	Qing-tian Zhao										
	Employee	Cai-lun Peng										
	Employee	Qing-xun Zheng	320,000	0.27%	96,000	0	0	0.08%	224,000	0	0	0.19%
	Employee	Jun-yuan Zheng										
	Employee	Feng-chun Ye										
	Employee	Wen-wen Zeng										
	Employee	Chi-chih Yu										

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

## 7. Shares Issuance for Mergers and Acquisitions

None.

## 8. Funding Use Plan and Execution

None.

## **5 Operational Highlights**

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

# Operational Highlights

## 1. Business Overview

### 1.1 Business Scope

#### (1). The Main Business Activities

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

#### (2). Revenue Breakdown

Unit: NT\$'000		
Item	Revenue in 2023	% of total
Low Voltage MOSFET	893,104	31.32
Medium Voltage MOSFET	1,039,830	36.47
High Voltage MOSFET	877,439	30.77
Others	40,789	1.44
Total	2,851,162	100.00

#### (3). Main products

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

#### (4). New products to be developed

The Company, in collaboration with Korean semiconductor wafer factories, has developed a new generation SGT process platform optimized for Figure Of Merit (FOM). This new ultra-junction process platform offers higher cost-effectiveness for high, medium, and low-voltage Power MOSFETs. These are suitable for various applications such as personal computers, laptops, cloud/AI servers, next-generation gaming consoles, catering to the power supply needs of consumer and commercial markets. It also provides the optimal product solution for applications involving BLDC motors.

In collaboration with analog power IC design companies, we are developing DrMOS products slated for mass production in 2024. These products aim to meet the demands for high performance and system miniaturization in the consumer PC market, offering optimal solutions.

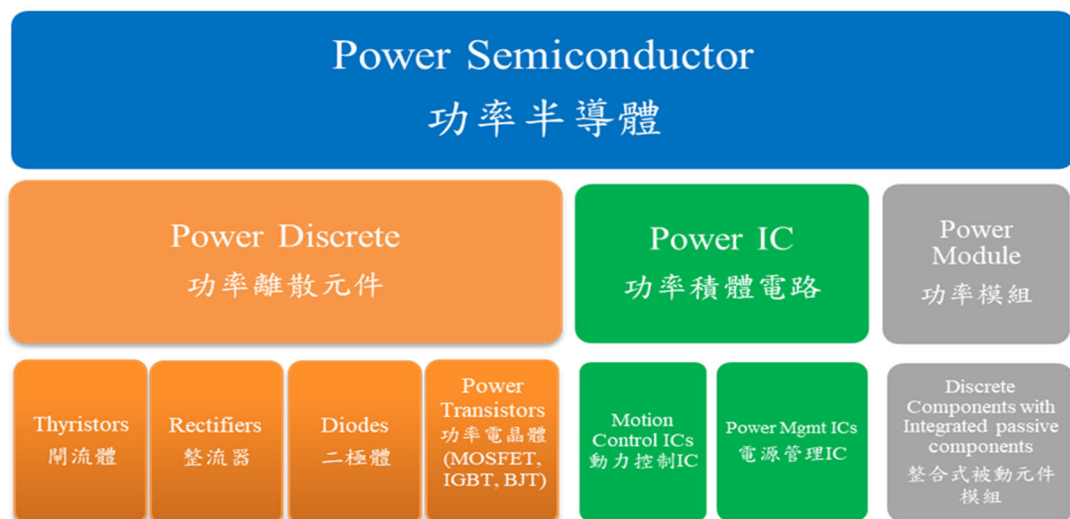
The increasing demand in the third-generation semiconductor market has led to the completion of product development for SiC SBD and fully developed SiC MOSFETs, enabling us to provide trial production of these products to meet customer demands.

## 1.2 Industry Overview

### (1). Industry status and development

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

Power semiconductors can be categorized as follows :



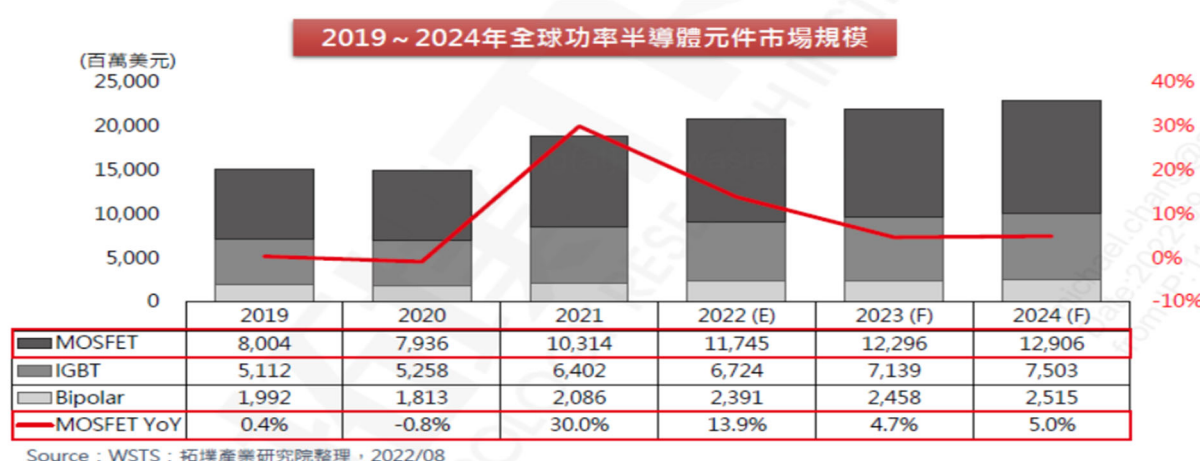
Source : IEK Consulting, ITRI (2018/12)

Power discrete components, including Power MOSFETs, IGBTs, and Bipolars, play a vital role in various applications. Among these, Power MOSFETs have consistently accounted for over 50% of the market share. They find extensive use in power conversion systems, controlling and handling high currents and voltages. With the growing demand in hybrid electric vehicles, electric vehicles, power supplies, and photovoltaic (PV) systems, driven by the emergence of Silicon Carbide (SiC) and Gallium Nitride (GaN) power semiconductors alongside traditional silicon (Si) technology, the market share of Power.

Power discrete components (including MOSFETs, IGBTs, etc.) are primarily valued based on their industrial applications, which are both numerous and stable in demand. These applications include motor control, rail transportation, charging stations, green energy generation, and the carbon-neutral initiatives in manufacturing industries, accounting for over 30% of the market share.

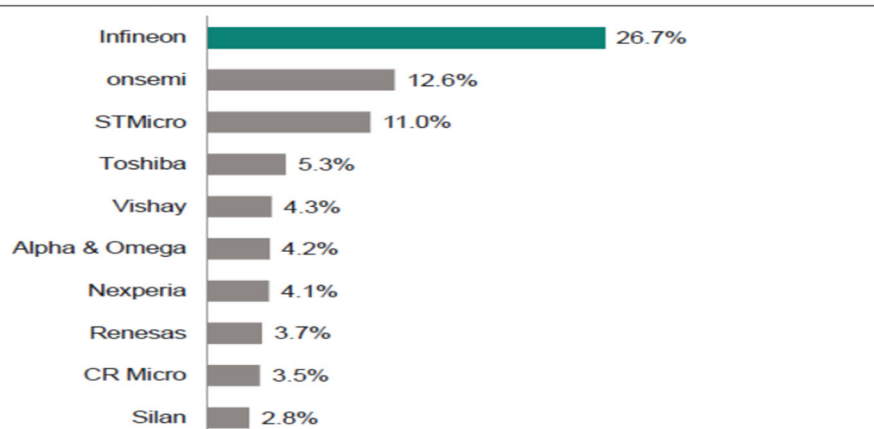
The automotive sector, in particular, benefits from energy-saving and carbon reduction policies driving the development of electric vehicles (EVs). In 2023, the shipment of electric vehicles grew by 35% compared to 2022, reaching 14 million units. The International Energy Agency (IEA) published the "Global EV Outlook 2024" report on April 23, 2024, indicating that despite global economic slowdown, the sales of electric vehicles are expected to continue growing in 2024, reaching 20% of total automotive sales.

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



Power discrete components in Europe, America, and Japan are mostly in IDM mode, with complete wafer fabs and packaging facilities. Leading companies such as Infineon and ON Semiconductor operate in IDM mode. The concentration of the power discrete components industry is high. According to the annual report of Infineon for the year 2023, the top 5 power semiconductor manufacturers globally held approximately 60% market share in 2022. Infineon, in particular, is the largest power discrete components manufacturer globally with a market share of 26.7%.

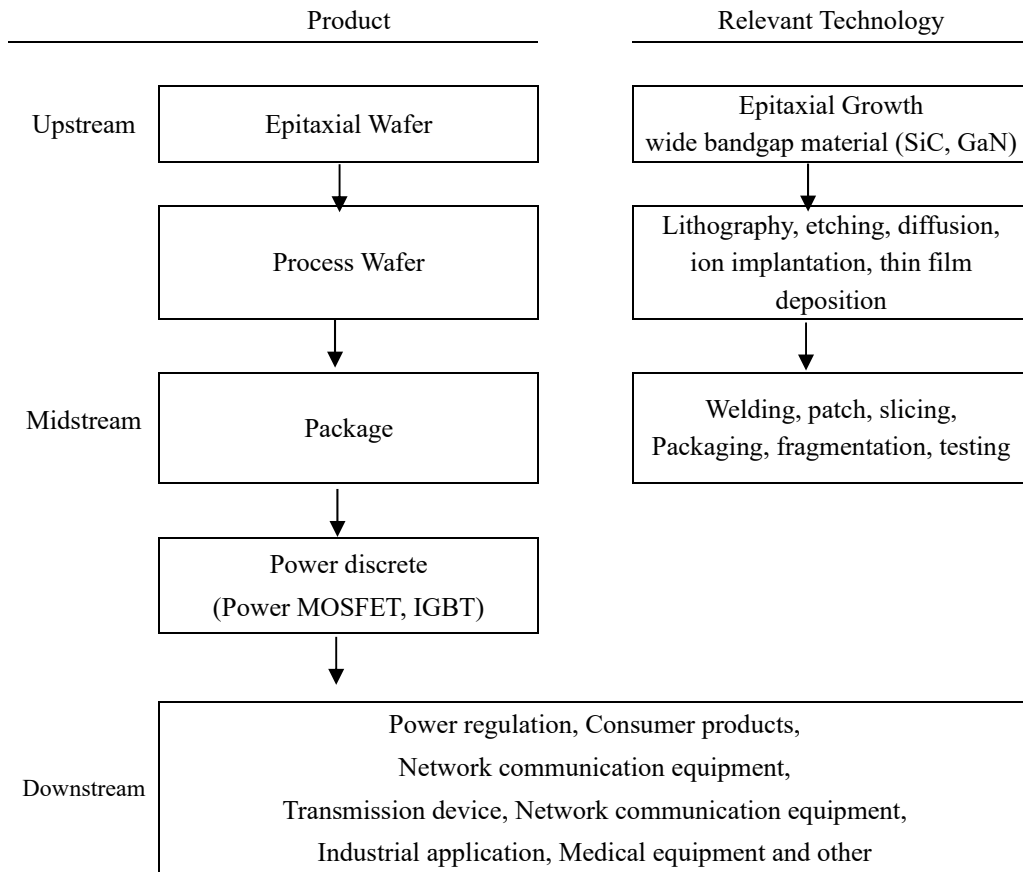
**Discrete Power MOSFETs<sup>1</sup>**  
2022 total market: USD 13.1bn



Source: Infineon 2024-02-06 Q1 FY24 Investor Presentation

Tariffs and trade barriers arising from US-China disputes have exacerbated the conflict between Taiwan and China, and the recent trade restrictions have also hindered global economic growth. In this context, China and the United States have each shaped their own supply chain structure, which consequently promotes the polarization of regional supply chain development. In response to the US blockade on semiconductor technology and industries, Chinese enterprises seek independence and innovation by accelerating product substitution processes and striving to build an independent semiconductor supply chain to mitigate the impact of future risks. With the aid of market demand derived from emerging technologies and government policy support, the market share of Chinese Power MOSFET suppliers saw significant increases in 2022. China Resources Microelectronics Limited (CR Micro) held a market share of 3.5%, and Silan's market share was 2.8%. They respectively ranked ninth and tenth globally among power discrete component manufacturers. As for Taiwan's power semiconductor industry, based on the advantages in costs and customization when competing with foreign companies under the effect of the US-China trade war, the prospect of import substitution can be expected to realize. Driven by the collaboration in semiconductor and related industries among the US, Taiwan, Japan and South Korea, Taiwan's tech industry has been compelled to shift from the globalization mode to a dual-system mode. Manufacturers are accelerating the establishment of supply chain bases outside of China in hope that new opportunities for growth can be discovered in the midst of conflicts between two great powers.

## (2). Industry value chain



## (3). Various Development Trends and Competitions of Products

### A. Net-zero emissions accelerate energy system transformation

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

### b. New materials of the third-generation semiconductors

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

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

#### B. Competitions of Products

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

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

### 1.3 Research and Development

(1). Major R&D Expenditures which was NT\$155,287 thousand in 2023.

(2). Major R&D Achievements in 2023:

#### A. The 3<sup>rd</sup> generation of Low- Medium voltage Power MOSFET

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

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

#### B. The 4<sup>th</sup> generation of High voltage Power MOSFET

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

#### C. Insulated Gate Bipolar Transistors (IGBT)

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

#### D. SiC Power MOSFET

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

### 1.4 Corporate Development Plan

#### (1). Short-term Corporate Development Plan

##### A. Marketing Strategy

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

##### B. Production Strategy

In 2023, the global Semiconductor Industry encountered a myriad of intricate challenges. To address challenges arising from underperformance in end-market applications, extended inventory adjustment times, and escalating tensions in the US-China tech conflict, the Company continues to enhance cooperation with existing suppliers in wafer foundries, packaging, testing, and other relevant facilities. This strategic focus ensures our company and its subsidiaries secure and maintain access to production capacity while retaining control over product delivery schedules. The ultimate goal is to achieve stability in outsourced manufacturing capacity and prices.

##### C. R&D Strategy

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

##### D. Financial Planning

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

#### (2). Long-term Corporate Development Plan

##### A. Marketing Strategy

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

## B. Production Strategy

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

## C. Product Development Direction

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

## 2. Markets & Sales Overview

### 2.1 Market Analysis

#### (1). Sales regions:

Unit: NT\$'000

Year		2022		2023	
		Amount	% of total	Amount	% of total
Domestic Sales	Taiwan	1,135,450	29.03	394,145	13.82
Export Sales	Asia	2,757,387	70.50	2,456,009	86.14
	Others	18,301	0.47	1,008	0.04
Net sales		3,911,138	100.00	2,851,162	100.00

The export ratio of the Company and subsidiaries was 86.18% in 2023, mainly in mainland China and Japan.

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

##### A. Market share

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

In the global power semiconductor market, the highest share of usage is in industrial control equipment, accounting for 34%. Following closely are the automotive and communication sectors, each representing 23%, while consumer electronics account for 20%. Discrete semiconductors only contribute around 4% to the global semiconductor product revenue. In 2023, the revenue from discrete semiconductors reached \$35.9 billion USD. Predictions indicate that by 2024, the revenue from discrete semiconductors will rise to \$381.9 billion USD, marking a 6.4% increase from 2023.

## B. Future Market Supply, Demand, and Growth Prospects

Since Q3 of 2022, there has been a reversal in supply and demand dynamics in the power semiconductor industry. Concurrently, amidst a sluggish macroeconomic environment, the downturn in demand for end-consumer electronics has led to inventory destocking efforts across the sales channels. Through the inventory adjustment process in 2023, overall inventory levels have gradually returned to normal. In 2024, the market is expected to benefit from the recovery in end-market demand and the growth of applications such as AI, 5G, and high-performance computing. This is anticipated to yield positive results for the industry.

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

### (3). Competitive niche

#### A. Strong management and R&D team

The Company and subsidiaries have been devoted to the development of power semiconductor components since its establishment in 1998. There are as much as 87 more items of patent rights which have been acquired or that are under application. The Company and subsidiaries' management team have practical experiences in mask design and allocation, technology development, and product applications for many years, with leading members as talents for power semiconductor components and process design. Also, the main decision makers at the units of management, business, and quality assurance all have complete practical experience and definite business philosophy. Under the excellent leadership of the management team, it provides a great help for the Company and subsidiaries to enhance the competitiveness.

#### B. Possess independent R&D capability

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

#### C. Control foundry capacity and improve production efficiency

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

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

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

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

A. Advantage factor

- a. In the development of global power semiconductors, major technologies have been dominated by global integrated devices makers (IDMs). Given the rising trend of energy saving and ESG awareness these years, the Company and subsidiaries continuously develop the products to be applied in the green environment market, e.g. energy-saving and low power consumption and provide the low to high voltage products comparable to these products from the international majors.
- b. The Company and subsidiaries strive for stable development in the marketing strategy of power semiconductor components. The long-term customers of the Company and subsidiaries are leading manufacturers with a good image and have stable cooperative relations with the Company and subsidiaries.
- c. The Company and its subsidiaries provide a complete portfolio of power management products, and accelerate the launch of new products according to customer needs under the shortage of wafer foundry capacity. The product quality and supply are recognized and trusted.

B Disadvantage factors and responsive measures

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

◆ Responsive measures:

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

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

◆Responsive measures:

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

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

◆Responsive measures:

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

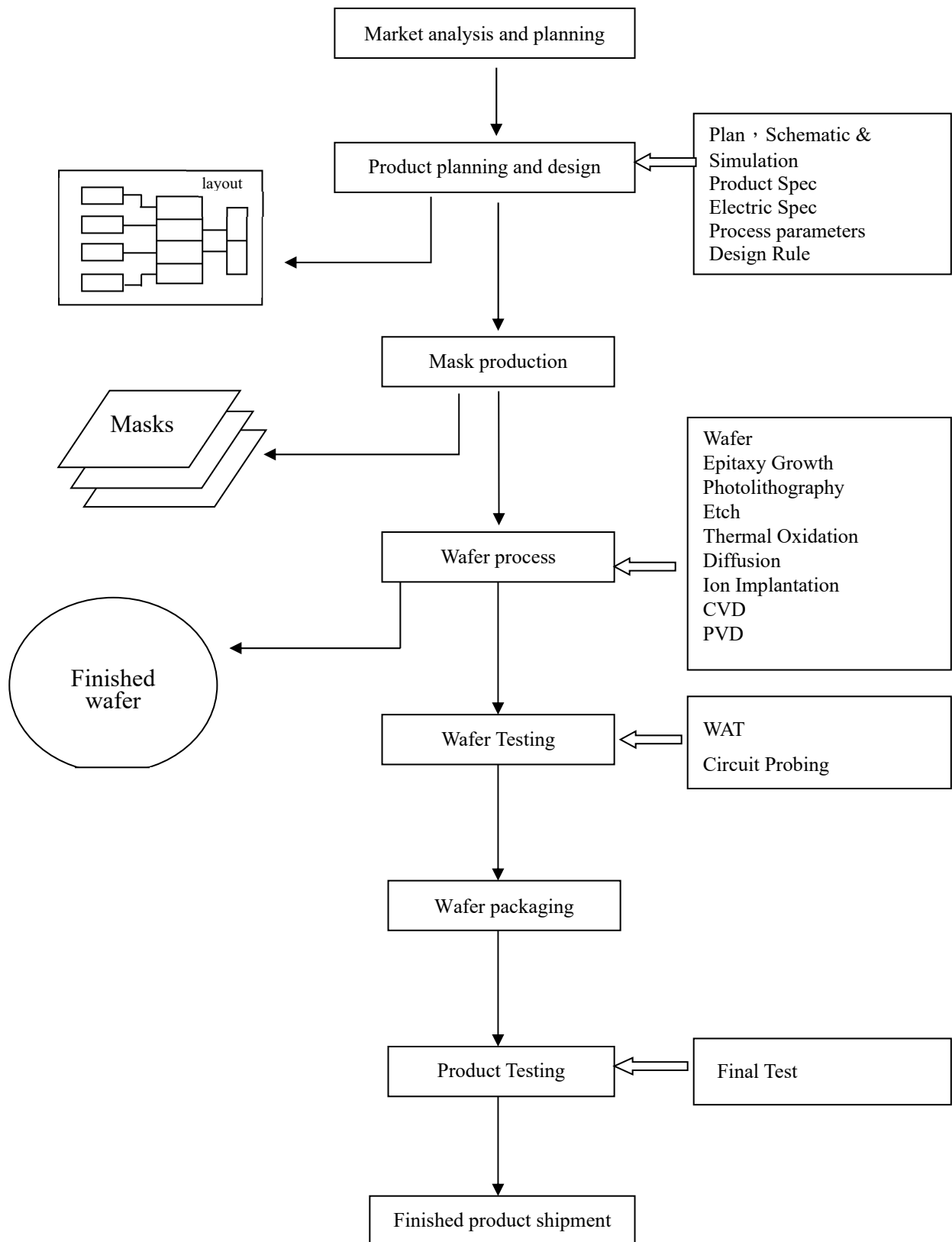
## 2.2 The key purposes and production process of the main products

### (1). The application of main products

Main Products	Application
Low Voltage MOSFET	This is a power control component for information products, with characteristics of low conduction internal resistance, high switching speed, low gate charging capability, high withstand voltage and high current. This is power control systems for portable products such as notebooks, tablets, mobile phones and server systems used in cloud computing.
Medium and High Voltage MOSFET	This type of products has the characteristics of high withstand voltage, high current, low conduction internal resistance, and high capability to endure avalanche breakdown. They are applied to the low-watt switching power supplies and adapters, such as the charger for mobile phone batteries, and the adapter of notebooks and monitors. Furthermore, they are widely applied to the high-watt switching power supplies for PFC, Lighting, HID lights for care and servers, satisfying the demands for main switching power loads.

Main Products	Application
Insulated Gate Bipolar Transistor (IGBT)	It has the advantages of high switching speed, low switching loss, resistance to pulse current impact, reduced conduction voltage, high input impedance, voltage drive and low drive power, etc., and can be applied to electric vehicle motor inverters. The high-speed IGBT has high current drive and high withstand voltage capabilities, and through appropriate manufacturing processes, meets the requirements of rapid switching of components. It can be applied to power supplies for machine tools, electromagnetic heating and other home appliances.
SiC MOSFET	Due to the very low switching loss of SiC MOSFET, the power system can support higher frequency operation, which can reduce the use of peripheral devices (transformers, capacitors). In addition to greatly reducing power loss, it has excellent operating characteristics in high temperature environments. It can simplify the heat dissipation design of the existing IGBT/Si MOSFET, thereby saving space and cost, and giving the product a greater competitive advantage.

## (2) The Production process of the main products



## 2.3 Supply of major raw materials

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

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

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

Unit: NT\$'000

Item	2022				2023			
	Name	Amount	Percentage of net annual purchase (%)	Relation with issuer	Name	Amount	Percentage of net annual purchase (%)	Relation with issuer
1	FN012	808,145	29.07	None	FN012	494,868	25.52	None
2	PN011	450,963	16.22	None	FN013	402,258	20.75	None
3	FN013	292,234	10.51	None	PN011	291,449	15.03	None
	Others	1,228,585	44.20		Others	750,300	38.70	
	Total	2,779,927	100.00		Total	1,938,875	100.00	

Explanation of the increase or decrease:

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

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

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

Unit: NT\$'000

Item	2022				2023			
	Name	Amount	Percentage of net annual sales (%)	Relation with issuer	Name	Amount	Percentage of net annual sales (%)	Relation with issuer
1	T130044	615,585	15.74	None	T130044	726,616	25.48	None
	Others	3,295,553	84.26		Others	2,124,546	74.52	
	Total	3,911,138	100.00		Total	2,851,162	100.00	

Explanation of the increase or decrease:

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

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

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

Major Product	Year	2022		2023	
		Quantity	Amount	Quantity	Amount
Low Voltage MOSFET		627,829	932,947	553,316	707,390
Medium Voltage MOSFET		327,565	1,080,735	206,638	639,376
High Voltage MOSFET		108,932	579,334	104,068	671,816
Others		44,089	138,067	5,655	22,052
Total		1,108,415	2,731,083	869,677	2,040,634

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

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

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

Major Product	Year	2022				2023			
		Domestic Sales		Export Sales		Domestic Sales		Export Sales	
		Qty	Amount	Qty	Amount	Qty	Amount	Qty	Amount
Low Voltage MOSFET		270,469	530,030	356,944	805,594	195,424	280,680	365,751	612,424
Medium Voltage MOSFET		90,266	369,467	220,777	1,277,860	26,425	92,942	183,171	946,888
High Voltage MOSFET		19,906	163,820	83,738	613,228	8,594	20,783	96,996	856,656
Others		24,278	72,133	6,992	79,006	876	(260)	7,285	41,049
Total		404,919	1,135,450	668,451	2,775,688	231,319	394,145	653,203	2,457,017

## 3. Human Resources

Unit: EA

Year		2022	2023	As of March 31, 2024
Employee	Manufacturing	43	44	42
	R&D	39	41	38
	Sales and Marketing	39	40	39
	General and Administrative	27	32	30
	Total	148	157	149
Average age		41.12	42.52	42.52
Average years of service		7.74	8.61	8.61
Education Distribution %	PhD Degree	0	0.64	0.67
	Master Degree	15.54	16.56	15.44
	College /University	81.76	80.89	81.88
	Senior High School	2.7	1.91	2.01
	Junior High School and below	0	0	0

#### **4. Environmental Protection Expenditure**

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

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

#### **5. Labor Relations**

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

- (1). Although the Company has established a labor-management meeting, it has not yet signed a Collective Agreement because the labor-management meeting has not requested to the Company so far.
- (2). Employees' welfare package

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

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

##### **A. Comprehensive employee health management:**

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

##### **B. Various employee benefit plans:**

Annual leaves are better than the days specified in the Labor Standards Act; Subsidies for wedding, funeral, and birth; Subsidies for training; Health check, Employee's family health check discount; Employee share ownership trust; The bonuses at the year-end, Dragon Boat Festival, Autumn Moon Festival, and Labor Day; Birthday money;

Childcare allowance; incentives for senior employees; COVID-19 insurance, vaccine insurance, COVID-19 care leave and vaccination leave and other employee welfare measures.

(3). Employee Communication Channel

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

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

(4). Education and training

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

The training expenses of the company and subsidiaries for the year 2023:

Training Expenses (\$)	Training Hours (hour)	People Trained
209,515	1,534.8	1,773

(5). Code of employee's conducts and ethics

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

- A. The Company's major divisions are separated by functions. Each division is tasked with specific job responsibilities and this separation of functions has strengthened the Company's core competency.
- B. The Company's work rules clearly define the rights and obligations of management and employees. Its modern management approach has promoted cooperation among employees and benefited the Company.
- C. The Company's “Work Rules” include regulations on preventing sexual harassment in the workplace and promoting gender equality. The Company disseminates information on laws and procedures for filing complaints on sexual harassment on the intranet to serve as a guideline for employees.

D. The Company and subsidiaries have a Code of Conduct in order to improve the behavioral quality, professional ethics and professional ability of all employees, and to pursue the interests of the company within the legal scope. Every employee has the responsibility to prevent the decrease and damage of the company's interests and to maintain the company's reputation to ensure the company's sustainable growth and development.

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

A. For the labor safety and health, the Company and subsidiaries have established the "Best Practices for Health and Safety" pursuant to the regulations of the competent authorities for the employee to adhere for health and safety issues. To coordinate, plan, supervise, and promote the labor health and safety affairs, pursuant to the "Directions of Occupational Safety and Health Management," the occupational health and safety personnel are established to promote the management of health and safety, as well as to conduct the automatic inspections.

B. The Best Practices for Health and Safety of the Company and subsidiaries is to prevent the accidents, promote the safety and health of the employees, and protect the assets of the Company through the spirit of management as planning, executing, inspecting, and acting. The safety management of the Company and subsidiaries, not only strives to prevent accidents, but also draft the contingency plans for disasters. In case of disasters, the plans will protect the safety of employees, and prevent or reduce the impacts from the accidents to the society and environment. Also, the Company and subsidiaries have improved the working environment based on the characteristics of the operation sites, to provide a safe and comfortable working environment.

C. The key points of the Best Practices for Health and Safety of the Company and subsidiaries are to construct a safe working environment, actively prevent the occupational injuries and diseases, protect the mental and physical health of employees, and deepen the awareness to environment, health and safety among the employees, as well as the responsibility assumptions and cultural cultivation. Besides, the regular health check is provided to all employees to ensure their health.

D. Except the regular fire extinguish system by the Company and subsidiaries, the regular fire drills are also conducted regularly along with the management center of the building, to focus on the improvement of management and hardware. There is an access control. No entrance is allowed without permits, so the safety of the employees is secured.

(7). Retirement plan

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

The Company and subsidiaries withheld NT\$7,481 thousand for labor pensions in 2023.

(8). The Labor-Management Negotiation

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

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

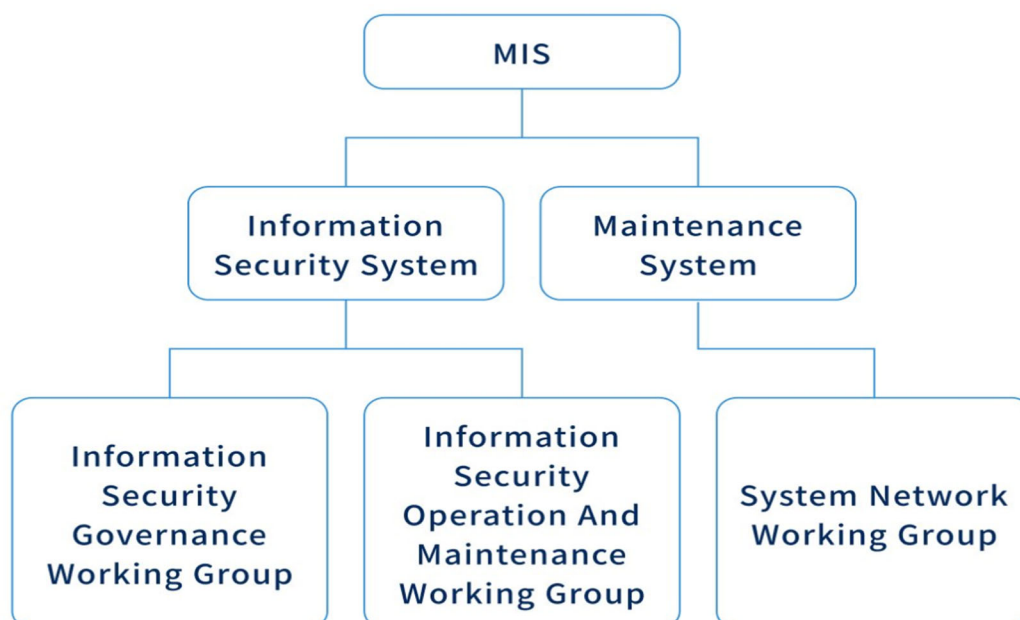
The Company maintains a harmonious management/employee relationship and there were no material disputes.

**6. Cyber Security Management**

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

1. The Company's Cyber security management framework

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



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

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

(2). Cyber Security Risk Management

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

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

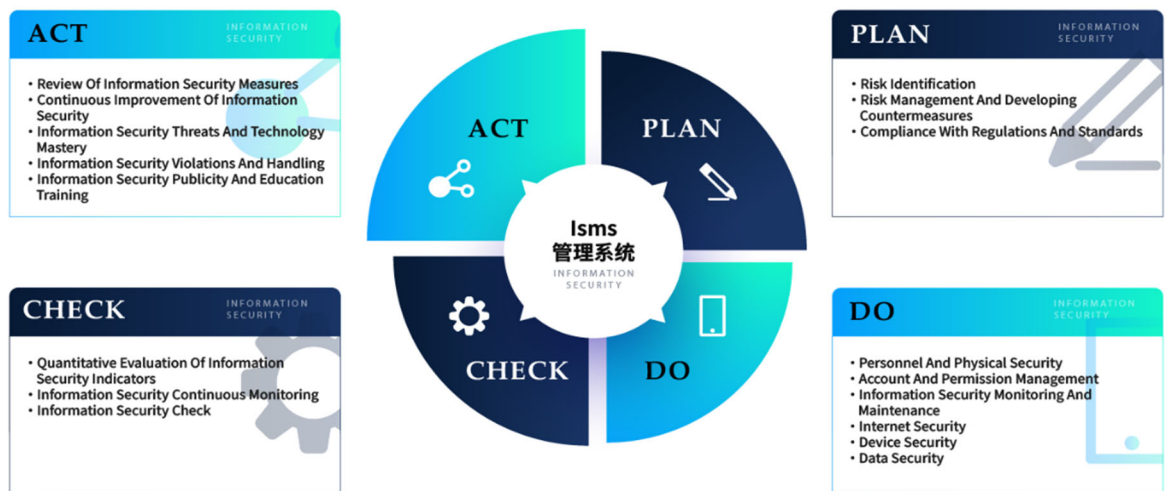
Through the process of risk management and continuous improvement, reduce the threat to corporate information security, and establish confidential cyber protection that complies with legal norms, customer needs, and corporate operations.

## 2. Cyber Security Policy

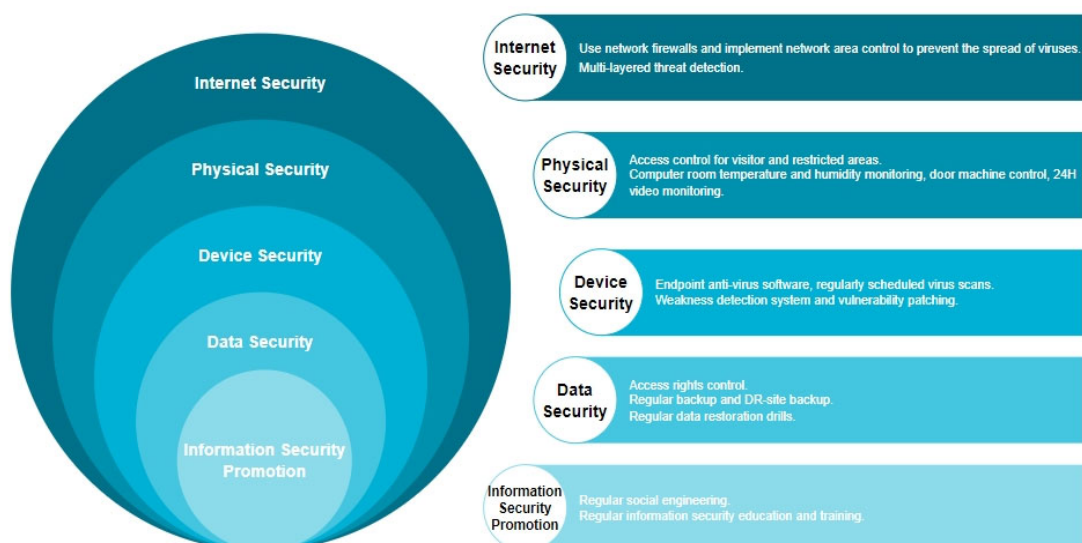
### (1). Cyber Security Management Policy

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

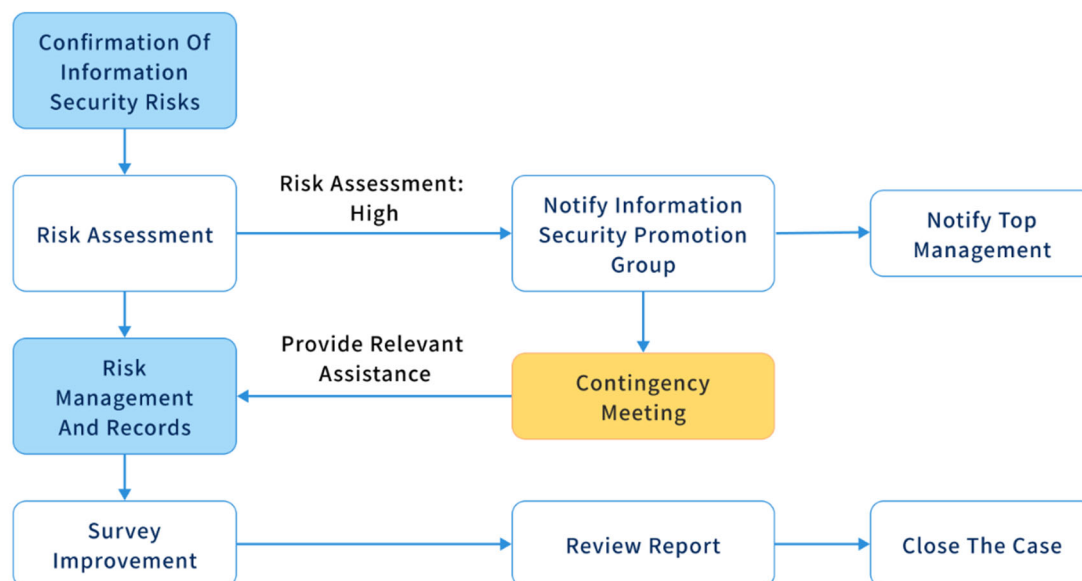
Continuously review the applicability and protection measures of cyber security policies, effectively implement cyber security management, ensure the confidentiality, integrity and availability of cyber assets, and smoothly promote the Company's various businesses.



### (2). Specific Management Plan



### 3. Cyber Security Risks and Countermeasures



### 4. Investment in Cyber Security Management

The Company uses current events and cases as information security promotion. In order to strengthen Cyber security, an appropriate budget has been prepared in 2023 to strengthen information technology and security protection, and it regularly reports information security management and implementation results to the board of directors every year. On May 2, 2023, reported to the 3<sup>rd</sup> meeting of the ninth term of the board of directors was recorded.

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

None.

### 7. Major Contracts

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

## **6 Financial Information**

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

# Financial Information

## 1. Five-Year Financial Summary

### 1.1 Condensed Balance Sheet and Statement of Comprehensive Income

#### (1). Condensed Balance Sheet

Unit: NT\$'000

Item	Year	Financial Summary for Most Recent 5 Years (Note 1)				
		2019	2020	2021	2022	2023
Current Assets		1,752,216	2,055,710	2,400,264	4,964,972	4,382,652
Property, Plant and Equipment		236,951	359,000	434,909	458,255	461,687
Intangible Assets		4,395	2,393	2,006	2,878	3,083
Other Assets		255,792	325,282	736,473	746,508	1,050,051
Total Assets		2,249,354	2,742,385	3,573,652	6,172,613	5,897,473
Current	Before appropriation	832,594	1,053,420	1,236,270	686,900	582,503
Liabilities	After appropriation	873,264	1,134,760	1,724,313	1,273,602	(Note 3)
Noncurrent Liabilities		710	88,974	129,954	7,345	4,049
Total	Before appropriation	833,304	1,142,394	1,366,224	694,245	586,552
Liabilities	After appropriation	873,974	1,223,734	1,854,267	1,280,947	(Note 3)
Equity attributable to owners of the parent company		1,406,820	1,596,999	2,205,760	5,479,409	5,312,679
Paid-in capital		813,405	813,405	813,405	1,173,405	1,178,905
Capital surplus		328,700	333,480	344,555	2,977,555	3,001,320
Retained	Before appropriation	344,473	502,075	1,073,522	1,485,306	1,229,030
earnings	After appropriation (Note 2)	303,803	420,735	585,479	898,604	(Note 3)
Other equity interests		(79,758)	(51,961)	(25,722)	(156,857)	(96,576)
Treasury stock		-	-	-	-	-
Non-controlling interest		9,230	2,992	1,668	(1,041)	(1,758)
Total equity	Before appropriation	1,416,050	1,599,991	2,207,428	5,478,368	5,310,921
	After appropriation (Note 2)	1,375,380	1,518,651	1,719,385	4,891,666	(Note 3)

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

Note 2: The appropriation amount for the Year 2019 to 2022 has been approved at the AGM.

Note 3: The appropriation amount for Year 2023 still has to be approved at the AGM.

## (2). Parent-only Condensed Balance Sheet

Unit: NT\$'000

Item \ Year		Financial Summary for Most Recent 5 Years (Note 1)				
		2019	2020	2021	2022	2023
Current Assets		1,686,364	2,001,722	2,367,101	4,951,445	4,389,584
Property, Plant and Equipment		233,709	358,287	434,745	458,155	461,654
Intangible Assets		4,395	2,393	2,006	2,878	3,083
Other Assets		303,599	363,857	757,459	765,696	1,053,600
Total Assets		2,228,067	2,726,259	3,561,311	6,178,174	5,907,921
Current Liabilities	Before appropriation	820,501	1,040,251	1,225,559	683,776	578,309
	After appropriation	861,171	1,121,591	1,713,602	1,270,478	(Note 3)
Noncurrent Liabilities		746	89,009	129,992	14,989	16,933
Total Liabilities	Before appropriation	821,247	1,129,260	1,355,551	698,765	595,242
	After appropriation	861,917	1,210,600	1,843,594	1,285,467	(Note 3)
Paid-in capital		813,405	813,405	813,405	1,173,405	1,178,905
Capital surplus		328,700	333,480	344,555	2,977,555	3,001,320
Retained earnings	Before appropriation	344,473	502,075	1,073,522	1,485,306	1,229,030
	After appropriation (Note 2)	303,803	420,735	585,479	898,604	(Note 3)
Other equity interests		(79,758)	(51,961)	(25,722)	(156,857)	(96,576)
Treasury stock		-	-	-	-	-
Total equity	Before appropriation	1,406,820	1,596,999	2,205,760	5,479,409	5,312,679
	After appropriation (Note 2)	1,366,150	1,515,659	1,717,717	4,892,707	(Note 3)

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

Note 2: The appropriation amount for the Year 2019 to 2022 has been approved at the AGM.

Note 3: The appropriation amount for Year 2023 still has to be approved at the AGM.

### (3). Condensed Statement of Comprehensive Income

Unit: NT\$'000

Item \ Year	Financial Summary for Most Recent 5 Years (Note)				
	2019	2020	2021	2022	2023
Revenues	2,217,249	3,125,776	4,203,639	3,911,138	2,851,162
Gross Profit	342,563	511,843	1,250,430	1,398,177	745,015
Income from Operations	68,999	239,941	828,973	899,892	308,896
Non-operating Income and Expenses	(10,010)	(16,329)	(32,729)	197,489	85,494
Income Before Income Tax	58,989	223,612	796,244	1,097,381	394,390
Continuing operating income after tax	41,929	196,348	651,480	897,097	329,666
Net income	41,929	196,348	651,480	897,097	329,666
Other comprehensive income (after tax)	(4,549)	27,719	26,222	(50,031)	12,251
Comprehensive income	37,380	224,067	677,702	847,066	341,917
Profit attributable to owners of the parent company	55,129	198,348	652,787	899,827	330,426
Profit attributable to non-controlling interest	(13,200)	(2,000)	(1,307)	(2,730)	(760)
Comprehensive income attributable to owners of parent company	50,834	226,069	679,026	849,775	342,634
Comprehensive income attributable to non-controlling interest	(13,454)	(2,002)	(1,324)	(2,709)	(717)
EPS (NT\$)	0.68	2.44	8.03	8.83	2.83

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

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

Unit: NT\$'000

Item \ Year	Financial Summary for Most Recent 5 Years (Note)				
	2019	2020	2021	2022	2023
Revenues	2,177,322	3,105,840	4,192,740	3,908,079	2,849,634
Gross profit	352,260	501,985	1,235,633	1,395,469	743,797
Income from Operations	130,007	259,508	852,107	920,785	320,139
Non-operating income and expenses	(57,577)	(33,896)	(54,556)	179,326	75,011
Income before income tax	72,430	225,612	797,551	1,100,111	395,150
Continuing operating income after tax	55,129	198,348	652,787	899,827	330,426
Net income	55,129	198,348	652,787	899,827	330,426
Other comprehensive income (after tax)	(4,295)	27,721	26,239	(50,052)	12,208
Comprehensive income	50,834	226,069	679,026	849,775	342,634
EPS (NT\$)	0.68	2.44	8.03	8.83	2.83

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

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

Year	Accounting firm	Name of CPA	Opinion
2019	Deloitte & Touche	Cheng-Ming Lee, Li-Wen Kuo	An Unmodified Opinion
2020	Deloitte & Touche	Cheng-Ming Lee, Li-Wen Kuo	An Unmodified Opinion
2021	Deloitte & Touche	Chien-Liang Liu, Li-Wen Kuo	An Unmodified Opinion
2022	Deloitte & Touche	Chien-Liang Liu, Wen-Chin Lin	An Unmodified Opinion
2023	Deloitte & Touche	Chien-Liang Liu, Wen-Chin Lin	An Unmodified Opinion

## 2 Five Years Financial Analysis

### 2.1 Consolidated Financial Analysis for Recent 5 Years

Item \ Year		Financial Summary for Most Recent 5 Years (Note)				
		2019	2020	2021	2022	2023
Financial structure	Liabilities to assets ratio (%)	37.05	41.66	38.23	11.25	9.95
	Long-term fund to PP&E ratio (%)	597.91	470.46	537.44	1,197.09	1,151.21
Solvency	Current ratio (%)	210.45	195.15	194.15	722.81	752.38
	Quick ratio (%)	106.60	124.59	145.37	588.10	622.82
	Interest coverage ratio (%)	13.93	77.68	162.48	531.14	0.00
Operations	Accounts receivable turnover (Times)	3.78	4.48	4.56	4.49	3.67
	Average collection days	97	81	80	81	99
	Inventory turnover (Times)	2.34	3.38	4.47	3.41	2.59
	Accounts payable turnover (Times)	4.53	5.50	4.78	5.43	6.41
	Average days sales	156	108	82	107	141
	Property, plant and equipment turnover (Times)	9.17	10.49	10.59	8.76	6.20
	Total asset turnover (Times)	0.97	1.25	1.33	0.80	0.47
Profitability	Return on assets (%)	1.99	7.96	20.75	18.44	5.46
	Return on equity attributable to owners of the parent company (%)	2.92	13.02	34.22	23.34	6.11
	Pre-tax income as a % of paid-in capital	7.25	27.49	97.89	93.52	33.45
	Net income margin (%)	1.89	6.28	15.50	22.94	11.56
	EPS (NT\$)	0.68	2.44	8.03	8.83	2.83
Cash flow	Cash flow ratio (%)	(5.51)	39.19	68.31	80.48	66.58
	Cash flow adequacy ratio (%)	9.91	18.74	112.12	106.63	109.95
	Cash reinvestment rate (%)	(7.48)	19.02	33.42	1.13	(3.67)
Leverage	Operating leverage	2.82	1.57	1.32	1.36	1.88
	Financial leverage	1.07	1.01	1.01	1.00	1.00

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

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

- 1.Solvency: Interest coverage ratio decreased, mainly due to no interest expense in 2023.
- 2.Operations: Inventory turnover ratio decreased, and Average days sales increased, mainly due to revenues decreased and inventory increased because of customers demand slow in 2023; Property, plant and equipment turnover, Total asset turnover decreased and Average collection days increased, mainly due to revenue decreased in 2023

3. Profitability: Return on assets, Return on equity attributable to owners of the parent company, ratio of pre-tax net income to paid-in capital, net profit margin, and earnings per share decreased, mainly due to revenue and net profit decreased in 2023.
4. Cash flow: Cash flow ratio decreased, mainly due to net cash flow from operating activities decreased in 2023; Cash reinvestment rate decreased, mainly due to net cash flow from operating activities decreased and cash dividends increased in 2023.
5. Leverage: Operating leverage increased, mainly due to operating profit decreased in 2023.

## 2.2 Parent-only Financial Analysis for Recent 5 Years

Item \ Year		Financial Summary for Most Recent 5 Years (Note)				
		2018	2019	2020	2021	2023
Financial structure	Liabilities to assets ratio (%)	36.86	41.42	38.06	11.31	10.08
	Long-term fund to PP&E ratio (%)	602.27	470.57	537.27	1,199.24	1,154.46
Solvency	Current ratio (%)	205.53	192.43	193.14	724.13	759.04
	Quick ratio (%)	102.10	122.54	142.61	586.25	625.47
	Interest coverage ratio (%)	17.94	79.97	164.97	548.32	0.00
Operations	Accounts receivable turnover (Times)	3.81	4.46	4.51	4.45	3.66
	Average collection days	96	82	81	82	100
	Inventory turnover (Times)	2.47	3.51	4.56	3.42	2.59
	Accounts payable turnover (Times)	4.44	5.47	4.78	5.43	6.41
	Average days sales	148	104	80	107	141
	Property, plant and equipment turnover (Times)	9.20	10.49	10.57	8.75	6.20
	Total asset turnover (Times)	0.97	1.25	1.33	0.80	0.47
Profitability	Return on assets (%)	2.60	8.10	20.89	18.51	5.47
	Return on equity attributable to owners of the parent company (%)	3.88	13.21	34.33	23.42	6.12
	Pre-tax income as a % of paid-in capital	8.90	27.74	98.05	93.75	33.52
	Net income margin (%)	2.53	6.39	15.57	23.02	11.60
	EPS (NT\$)	0.68	2.44	8.03	8.83	2.83
Cash flow	Cash flow ratio (%)	(6.59)	40.43	67.33	86.64	68.45
	Cash flow adequacy ratio (%)	26.30	35.33	132.19	113.52	110.32
	Cash reinvestment rate (%)	(8.05)	19.55	32.75	1.82	(3.52)
Leverage	Operating leverage	1.83	1.48	1.29	1.35	1.83
	Financial leverage	1.03	1.01	1.01	1.00	1.00

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

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

- 1.Solvency: Interest coverage ratio decreased, mainly due to no interest expense in 2023.
- 2.Operations: Inventory turnover ratio decreased, and Average days sales increased, mainly due to revenues decreased and inventory increased because of customers demand slow in 2023; Property, plant and equipment turnover, Total asset turnover decreased and Average collection days increased, mainly due to revenue decreased in 2023
3. Profitability: Return on assets, Return on equity attributable to owners of the parent company, ratio of pre-tax net income to paid-in capital, net profit margin, and earnings per share decreased, mainly due to revenue and net profit decreased in 2023.
4. Cash flow: Cash flow ratio decreased, mainly due to due to net cash flow from operating activities decreased in 2023; Cash reinvestment rate decreased, mainly due to net cash flow from operating activities decreased and cash dividends increased in 2023.
5. Leverage: Operating leverage increased, mainly due to operating profit decreased in 2023.

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

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

**Solvency**

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

**Operations**

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

**Profitability**

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

**Cash flow**

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

**Leverage**

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

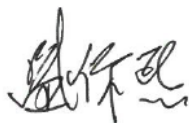
### 3. 2023 Audit Committee's Review Report

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

February 29, 2024

The Board of Directors of Advanced Power Electronics Co., Ltd. (APEC) has prepared the APEC's 2023 Business Report, Financial Statements, and the Proposal for profit appropriation. The CPA Chien-Liang Liu and Wen-Chin Lin from Deloitte & Touche were retained to audit APEC's Financial Statements and have issued an audit report relating to the Financial Statements. The said Business Report, Financial Statements, and Proposal for profit appropriation have been reviewed and determined to be correct and accurate by the Audit Committee of APEC in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this Report.

Advanced Power Electronics Co., Ltd.



Chairman of the Audit Committee

**4. Consolidated Financial Statements and Independent Auditors' Report**

Refer to the attachment I.

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

Refer to the attachment II.

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

None.

## **7 Financial Status, Operating Results and Status of Risk Management**

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

# Financial Status, Operating Results and Status of Risk Management

## 1. Financial Position

### 1.1 Consolidated balance sheet analysis:

Unit: NT\$'000

Item \ Year	2023	2022	YoY change	
			Amount	%
Current assets	4,382,652	4,964,972	(582,320)	(11.73)
Property, plant and equipment	461,687	458,255	3,432	0.75
Intangible assets	3,083	2,878	205	7.12
Other assets	1,050,051	746,508	303,543	40.66
<b>Total assets</b>	<b>5,897,473</b>	<b>6,172,613</b>	<b>(275,140)</b>	<b>(4.46)</b>
Current liabilities	582,503	686,900	(104,397)	(15.20)
Non-current liabilities	4,049	7,345	(3,296)	(44.87)
<b>Total liabilities</b>	<b>586,552</b>	<b>694,245</b>	<b>(107,693)</b>	<b>(15.51)</b>
Paid-in capital	1,178,905	1,173,405	5,500	0.47
Capital surplus	3,001,320	2,977,555	23,765	0.80
Retained earnings	1,229,030	1,485,306	(256,276)	(17.25)
Other equity	(96,576)	(156,857)	60,281	38.43
Equity attributable to owners of the parent	5,312,679	5,479,409	(166,730)	(3.04)
Non-controlling interests	(1,758)	(1,041)	(717)	(68.88)
<b>Total equity</b>	<b>5,310,921</b>	<b>5,478,368</b>	<b>(167,447)</b>	<b>(3.06)</b>

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

- (1). Other assets increased: Mainly due to the availability of free funds, financial assets measured at fair value through profit or loss, as well as financial assets measured at amortized cost increased.
- (2). Other equity increased: Mainly due to unrealized gain on financial assets at fair value through other comprehensive income and employee restricted stock compensation costs increased.

## 2. Financial Performance

### 2.1 Consolidated Statements of Comprehensive Income analysis

Unit: NT\$'000

Item \ Year	2023	2022	YoY change	
			Amount	%
Revenues	2,851,162	3,911,138	(1,059,976)	(27.10)
Gross profit	745,015	1,398,177	(653,162)	(46.72)
Income from operations	308,896	899,892	(590,996)	(65.67)
Non-operating income and expenses	85,494	197,489	(111,995)	(56.71)
Income before income tax	394,390	1,097,381	(702,991)	(64.06)
Net income	329,666	897,097	(567,431)	(63.25)
Total comprehensive income	341,917	847,066	(505,149)	(59.64)
Net profit attributable to owners of the parent	330,426	899,827	(569,401)	(63.28)
EPS (NT \$)	2.83	8.83	(6.00)	(67.95)

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

- (1). Revenues, gross profit and income from operations decreased: Mainly due to the deferred consumer demand, resulting in reduced revenue and market price declines.
- (2). Non-operating income and expenses decreased: Mainly due to foreign currency exchange gains arising from the appreciation of the New Taiwan dollar decreased.
- (3). Income before income tax, net income, total comprehensive income and net profit attributable to owners of the parent decreased: Mainly due to revenues and gross profit decreased.

### 3. Cash Flow

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

Unit: NTS'000

Item	Year	2023	2022	YoY change	
				Amount	%
Cash and cash equivalents at the beginning of the year		684,839	693,779	(8,940)	(1.29)
Net cash generated from operating activities		387,840	609,018	(221,178)	(36.32)
Net cash generated from/ (used in) investing activities		265,644	(2,662,686)	2,928,330	109.98
Net cash generated from / (used in) financing activities		(569,006)	1,982,126	(2,551,132)	(128.71)
Effect of exchange rate changes on cash and equivalents		1,782	62,602	(60,820)	(97.15)
Cash and cash equivalents at the end of the year		771,099	684,839	86,260	12.60

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

- (1).Net cash generated from operating activities decreased: Mainly due to pre-tax net profit decreased.
- (2).Net cash generated from/ (used in) investing activities increased: Mainly due to proceeds from sale of financial assets measured at amortized cost increased.
- (3).Net cash generated from / (used in) financing activities increased :Mainly due to cash dividends distributed.

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

#### 3.4 Cash Flow Analysis for 2024:

Unit: NTS'000

Cash balance, beginning of the year	Forecast net cash inflow from operations	Forecast cash outflow from investment and financing activities	Cash balance, end of the year	Source of funding for negative cash balance	
				Cash inflow from investment activities	Cash inflow from financing activities
771,099	656,870	328,255	1,099,714	-	-

#### (1). Cash Flow Analysis for 2024:

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

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

### 4. Major Capital Expenditure

#### 4.1 Major Capital Expenditures and Source of Funding

Unit: NT\$'000

Plan	Actual or Planned Source of Capital	Estimated Capital Requirement	Status of Actual or Projected Use of Capital	
			2023	2022
Fixed Assets - Land, Buildings, Office Equipment and Machinery Equipment	Cash flow generated from operation	70,871	30,593	40,278
Intangible Assets - Software	Cash flow generated from operation	8,595	4,043	4,552

## 4.2 Expected Benefits

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

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

### (2). Fixed Assets - Machinery Equipment:

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

### (3). Intangible Assets – Software:

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

## 5. Investment Policies

The Company and its subsidiaries focus on making long-term and strategic investments. The objective is to strengthen and diversify its core business activities and expand into new fields to create synergies. The investment loss accounted for using equity method in 2023 is NT\$ 317 thousand as the operations of Chinese mainland market. For future investments, the Company will continue to make decisions based on prudent strategic assessments.

## 6. Risk Management

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

#### (1). Impact on Company Profit and Loss

Unit: NT\$'000

Items	2023	2022
Interest Income, Net	63,259	24,550
Foreign Exchange Gains/(Loss)	6,444	173,828
Revenues	2,851,162	3,911,138
Income Before Income Tax	394,390	1,097,381
Interest Income, Net as % of Revenues	2.22%	0.57%
Interest Income, Net as % of Income Before Tax	16.04%	2.05%
Foreign Exchange Gains/(Loss) as % of Revenues	0.23%	4.44%
Foreign Exchange Gains/(Loss) as % of Income Before Tax	1.63%	15.84%

#### A. Impact of interest rate fluctuations

In 2023, the US dollar interest rates remained stable and increased from January to July, followed by maintaining at high levels from August onwards. Meanwhile, the Taiwan interest rates, influenced by the US dollar, also saw a slight increase. The interest rates for US dollar deposits ranged from 4.40% to 5.55%, while for New Taiwan dollar deposits, they ranged from 0.90% to 1.58%. Additionally, the private placement of cash injections into the Company's funds maintained a high liquidity level. Combined with the impact of interest rate hikes, this significantly increased overall interest income, with no interest expenses incurred, resulting in a substantial improvement in net interest income.

#### B. Impact of exchange rate fluctuations

Most of the Company and subsidiaries' sales are denominated in US dollars, and thus the movement of exchange rates impacts the income of the period.

In 2023, from January to July, the stable interest rate hike of the US dollar led to depreciation of the New Taiwan dollar. Although the rate hike ceased after July, the strong US dollar persisted due to the interest rate differential between the US dollar and the New Taiwan dollar, resulting in continued depreciation of the New Taiwan dollar. It wasn't until November, when the trend of US dollar rate cuts was established, that the New Taiwan dollar saw a sharp reversal, leading to a significant decrease in valuation exchange gains.

However, overall, both the Company and subsidiaries continued to monitor market exchange rate fluctuations and adjust their foreign exchange positions in real-time. They maintained a natural hedge between foreign currency assets and liabilities to reduce exchange rate risks for both the Company and subsidiaries.

#### C. Impact of inflation

The 2023 consumer price index (CPI) increased by 2.50% compared with that in 2022. Raw material and energy prices are currently subject to substantial fluctuations due, among others, to inflation, which affects production prices and supply risks. The Company and its subsidiaries always pay attention to the fluctuation of market prices and maintain a good interaction with suppliers and customers to avoid the adverse impact of inflation on the Company's profit and loss.

#### (2). Mitigating Measures

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

from the movement of exchange rate. For the inflations, the Company and subsidiaries will react by monitoring the global economics situations.

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

- (1).High-risk, High-leverage Financial Instruments: None.
- (2).Loans, Debt Guarantees: The Company passed the Rules and Procedures on Lending and Making Endorsement/Guarantees to supervise its financing and endorsement activities. The Company and its subsidiaries are not conducted in Lending and Making Endorsement/Guarantees.
- (3).Derivatives transaction: The Company conducts acquisition or disposal of assets in accordance with the Procedures for Acquisition or Disposal of Assets. The Company and its subsidiaries are not conducted derivatives transaction.

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

## **6.3 Future Research and Development Projects and Corresponding Budget**

Unit: NTS'000			
<b>R&amp;D project</b>	<b>Plan description</b>	<b>Intellectual property rights</b>	<b>Projected Budget</b>
1. Development of high-speed super junction POWER MOSFET and 5th-generation semiconductor  2. Development of SiC MOSFET and 2nd-generation semiconductor	Optimize material of POWER MOSFET and 5th-generation semiconductor materials	Material of Power MOSFET	16,679
	Optimize material of SiC MOSFET and 2nd-generation semiconductor materials		
	Optimize semiconductor process parameters of POWER MOSFET and 5th-generation semiconductor	Fab process of Power MOSFET	45,704
	Optimize semiconductor process parameters of SiC MOSFET and 2nd-generation semiconductor		
	Develop new package and optimize package structure of POWER MOSFET and 5th-generation semiconductor	New package and package structure	53,702
	Develop new package and optimize package structure of SiC MOSFET and 2nd-generation semiconductor		
	Optimize dynamic characteristics of POWER MOSFET and 5th-generation semiconductor	Integrated circuit architecture of Power MOSFET	35,090

R&D project	Plan description	Intellectual property rights	Projected Budget
	Optimize dynamic characteristics of SiC MOSFET and 2nd-generation semiconductor		

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

#### **6.4 Risk Associated with Changes in the Political and Regulatory Environment**

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

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

#### **6.5 Impact of New Technology and Industry Changes**

The Company constantly monitors the developments and changes in the relevant technology within our industry. The international situation, post-epidemic normalcy, environmental protection consensus, and policy support, especially electric self-driving cars, cloud services, and green energy power generation, will become the trend of future industrial development. The Company and subsidiaries will actively develop a new generation of low, Medium, and high-voltage Power MOSFETs in line with the trend of industry development.

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

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

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

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

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

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

## **6.7 Risks Associated with Mergers and Acquisitions**

As of the most recent year and up to the publication date of this annual report, the Company and subsidiaries have no plan for M&A. However, shall there be any M&A plan in the future, a rigorous assessment will be conducted to see if any tangible synergy will be achieved for the Company and subsidiaries so that the interests of the shareholders are protected.

## **6.8 Risks Associated with Facility Expansion**

As of the most recent year and up to the publication date of this annual report, the Company and subsidiaries have no plan for facility expansion.

## **6.9 Risks Associated with Purchase Concentration and Sales Concentration**

### **(1). Purchasing:**

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

### **(2). Sales:**

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

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

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

The Company held a comprehensive election for the 10th Board of Directors at the Shareholders' Meeting on May 18, 2023. The members of the 10th board include Mr. Tie-Min Chen, founder and chairman of Yageo Group, Mr. Fu-Chi Teng, representative of Future Technology Consulting, Inc., Mr. Chia-Shuai Chang, representative of XSemiconductor Corporation, which holds a 29.49% stake in the company, and Mr. Ying-Shis Huang.

In addition, the independent directors have been re-elected for three consecutive terms. In response to the future business development needs of the Company, relevant independent directors with expertise in specific fields have been introduced to assist the Company. These changes have not had a significant impact on the Company's financial operations.

#### **6.11 Risks Associated with Change in Management**

The Company held a comprehensive election of the 10th Board of Directors at the Shareholders' Meeting on May 18, 2023. The turnover of directors exceeded half of the original board members. Mr. Tie-Min Chen was elected as the chairman and Mr. Fu-Chi Teng as the vice chairman, following the recommendation of all board members. Furthermore, Mr. Lin-Chung Huang, the former General Manager, stepped down on November 1, 2023, and was succeeded by Mr. Chia-Shuai Chang, the representative of XSemi Corporation. These changes constitute significant shifts in the Company's management; however, they did not have a substantial impact on financial operations.

#### **6.12 Risks Associated with Litigations**

None.

#### **6.13 Other Material Risk**

None.

### **7. Others : None.**

## **8 Subsidiary Information and Other Special Notes**

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1. Affiliated Companies in 2023
2. Private Placement Securities in the Most Recent Year and up to the Publication Date of this Annual Report
3. The Company's Shares Held or Disposed by Subsidiaries in the Most Recent Year and up to the Publication Date of this Annual Report
4. Other Supplementary Information
5. Material Impact, pursuant to Article 36-3-2 of the Securities and Exchange Act, on Shareholders' Equity or Share Price in the Most Recent Year and up to the Publication Date of this Annual Report

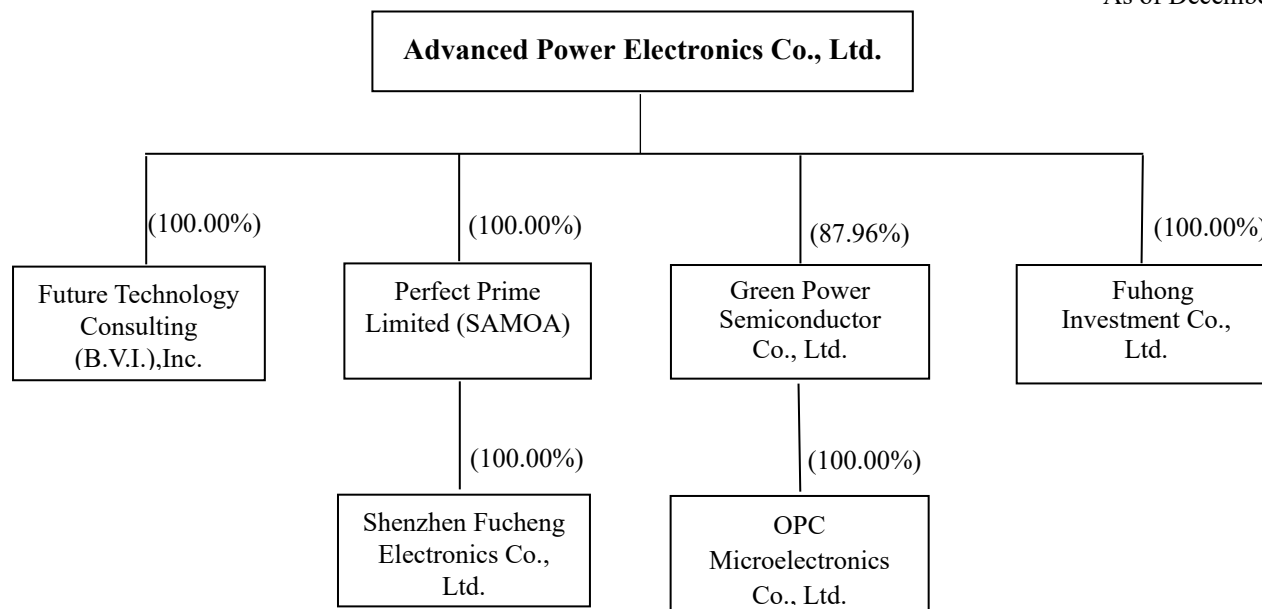
## Subsidiary Information and Other Special Notes

### 1. Affiliated Companies in 2023

#### 1.1 Consolidated Operation Report of the Company and Affiliates

##### (1). Investment holding structure

As of December 31, 2023



##### (2). Affiliates Profiles

As of December 31, 2023; Unit: '\$'000

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

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

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

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

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

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

As of December 31, 2023

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

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

Note: It is a limited company

#### (6). Affiliates' Operating Highlights

As of Dec 31, 2023; Unit: NT\$'000

Affiliate Names	Paid-in Capital	Total Asset	Total Liability	Total Equity	Total Revenues	Operating Income	Net Income	EPS, NT\$
Future Technology Consulting (B.V.I.), Inc.	75,426	18,842	123	18,719	0	(847)	(827)	0
Perfect Prime Limited (SAMOA)	14,540	585	0	585	0	(34)	(4,425)	0
Green Power Semiconductor Co., Ltd.	19,500	5,435	20,040	(14,605)	0	(788)	(6,315)	0

<b>Affiliate Names</b>	<b>Paid-in Capital</b>	<b>Total Asset</b>	<b>Total Liability</b>	<b>Total Equity</b>	<b>Total Revenues</b>	<b>Operating Income</b>	<b>Net Income</b>	<b>EPS, NT\$</b>
Fuhong Investment Co., Ltd.	80,000	93,797	100	93,697	0	(152)	10,490	0
Shenzhen Fucheng Electronics Co., Ltd.	13,510	1,747	1,287	460	4,788	(4,396)	(4,391)	0
OPC Microelectronics Co., Ltd.	63,766	5,038	25,008	(19,970)	31,371	(5,262)	(5,600)	0

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

**1.3 Affiliation Report :** None.

**2. Private Placement Securities in the Most Recent Year and up to the Publication Date of this Annual Report :** None.

**3. The Company's Shares Held or Disposed by Subsidiaries in the Most Recent Year and up to the Publication Date of this Annual Report**  
None.

**4. Other Supplementary Information**  
None.

**5. Material Impact, pursuant to Article 36-3-2 of the Securities and Exchange Act, on Shareholders' Equity or Share Price in the Most Recent Year and up to the Publication Date of this Annual Report**  
None.

# Attachment I

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Advanced Power Electronics Co.,  
Ltd. and Subsidiaries

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

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

## **REPRESENTATION LETTER**

The entities that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 are all the same as those included in the consolidated financial statements of Advanced Power Electronics Co., Ltd. and its subsidiaries prepared in conformity with the International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates is included in the consolidated financial statements of Advanced Power Electronics Co., Ltd. and its subsidiaries. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Advanced Power Electronics Co., Ltd.

Tie-Min Chen  
Chairman

February 29, 2024

## INDEPENDENT AUDITORS' REPORT

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

### Opinion

We have audited the accompanying consolidated financial statements of Advanced Power Electronics Co., Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements, including material accounting policy information.

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

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2023 are stated as follows:

### Validity of Revenue

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

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

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

## **Other Matter**

We have also audited the parent company only financial statements of Advanced Power Electronics Co., Ltd. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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

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

whether due to fraud or error.

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche

Taipei, Taiwan

Republic of China

February 29, 2024

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 audit such consolidated financial statements are those generally applied in the Republic of China.*

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

**Advanced Power Electronics Co., Ltd. and its subsidiaries**

**CONSOLIDATED BALANCE SHEET**  
(In Thousands of New Taiwan Dollars)

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents (Notes 4 and 6)	\$ 771,099	13	\$ 684,839	11
Financial assets at fair value through profit or loss (Notes 4 and 7)	200,905	3	-	-
Financial assets at amortized cost (Notes 4 and 9)	1,788,555	30	2,596,010	42
Notes receivable (Note 10)	4,904	-	9,616	-
Accounts receivable (Notes 4, 10 and 25)	817,773	14	705,533	11
Other receivables (Notes 4, 10 and 25)	42,645	1	43,341	1
Current tax assets (Note 4)	1,794	-	4	-
Inventories (Notes 4 and 11)	752,881	13	872,626	14
Other current assets	2,096	-	53,003	1
Total current assets	<u>4,382,652</u>	<u>74</u>	<u>4,964,972</u>	<u>80</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss (Notes 4 and 7)	160,593	3	24,108	-
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	151,375	2	140,469	2
Financial assets measured at amortized cost (Notes 4 and 9)	183,549	3	2,000	-
Property, plant and equipment (Notes 4 and 12)	461,687	8	458,255	8
Right-of-use assets (Notes 4 and 13)	8,319	-	7,196	-
Other intangible assets, net (Note 4)	3,083	-	2,878	-
Deferred tax assets (Notes 4 and 20)	40,622	1	33,199	1
Other non-current assets (Note 14)	505,593	9	539,536	9
Total non-current assets	<u>1,514,821</u>	<u>26</u>	<u>1,207,641</u>	<u>20</u>
<b>TOTAL</b>	<u>\$ 5,897,473</u>	<u>100</u>	<u>\$ 6,172,613</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Notes payable	\$ 290	-	\$ 3,853	-
Accounts payable (Note 25)	352,677	6	300,597	5
Other payables (Note 16)	132,494	2	245,981	4
Current tax liabilities (Note 4)	70,122	1	122,947	2
Lease liabilities (Notes 4 and 13)	4,561	-	3,244	-
Other current liabilities	22,359	1	10,278	-
Total current liabilities	<u>582,503</u>	<u>10</u>	<u>686,900</u>	<u>11</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Notes 4 and 20)	303	-	3,391	-
Lease liabilities (Notes 4 and 13)	3,746	-	3,954	-
Total non-current liabilities	<u>4,049</u>	<u>-</u>	<u>7,345</u>	<u>-</u>
Total liabilities	<u>586,552</u>	<u>10</u>	<u>694,245</u>	<u>11</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 4 and 18)</b>				
Common stock	1,178,905	20	1,173,405	19
Capital surplus	3,001,320	51	2,977,555	48
Retained earnings				
Legal reserve	235,110	4	145,127	2
Special reserve	75,774	1	25,722	1
Unappropriated earnings	918,146	16	1,314,457	21
Total retained earnings	1,229,030	21	1,485,306	24
Other equity interests	( 96,576 )	( 2 )	( 156,857 )	( 2 )
Total equity attributable to owners of the parent	5,312,679	90	5,479,409	89
<b>NON-CONTROLLING INTERESTS</b>				
	( 1,758 )	-	( 1,041 )	-
Total equity	<u>5,310,921</u>	<u>90</u>	<u>5,478,368</u>	<u>89</u>
<b>TOTAL</b>	<u>\$ 5,897,473</u>	<u>100</u>	<u>\$ 6,172,613</u>	<u>100</u>

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

**Advanced Power Electronics Co., Ltd. and its subsidiaries**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 25)	\$ 2,851,162	100	\$ 3,911,138	100
OPERATING COSTS (Notes 11, 19 and 25)	<u>2,106,147</u>	<u>74</u>	<u>2,512,961</u>	<u>64</u>
GROSS PROFIT FROM OPERATIONS	<u>745,015</u>	<u>26</u>	<u>1,398,177</u>	<u>36</u>
OPERATING EXPENSES (Notes 19 and 25)				
Selling and marketing expenses	95,410	3	101,704	3
General and administrative expenses	185,422	7	224,751	6
Research and development expenses	155,287	5	171,911	4
Expected credit reversal benefit (Note 10)	<u>-</u>	<u>-</u>	<u>( 81 )</u>	<u>-</u>
Total operating expenses	<u>436,119</u>	<u>15</u>	<u>498,285</u>	<u>13</u>
PROFIT FROM OPERATIONS	<u>308,896</u>	<u>11</u>	<u>899,892</u>	<u>23</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	63,259	2	24,550	1
Other income (Note 25)	7,513	-	5,707	-
Other gains and losses, net (Note 19)	14,821	1	169,361	4
Finance costs (Notes 4 and 19)	<u>( 99 )</u>	<u>-</u>	<u>( 2,129 )</u>	<u>-</u>
Total non-operating income and expenses	<u>85,494</u>	<u>3</u>	<u>197,489</u>	<u>5</u>
PROFIT BEFORE INCOME TAX	<u>394,390</u>	<u>14</u>	<u>1,097,381</u>	<u>28</u>
INCOME TAX EXPENSE (Notes 4 and 20)	<u>64,724</u>	<u>2</u>	<u>200,284</u>	<u>5</u>
NET PROFIT	<u>329,666</u>	<u>12</u>	<u>897,097</u>	<u>23</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	11,904	-	( \$ 52,733 )	( 1 )
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	<u>347</u>	<u>-</u>	<u>2,702</u>	<u>-</u>
Other comprehensive income (loss) (after tax)	<u>12,251</u>	<u>-</u>	<u>( 50,031 )</u>	<u>( 1 )</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 341,917</u>	<u>12</u>	<u>\$ 847,066</u>	<u>22</u>

(Continued)

**Advanced Power Electronics Co., Ltd. and its subsidiaries**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

	2023		2022	
	Amount	%	Amount	%
NET PROFIT ATTRIBUTABLE TO:				
Owners of the parent	\$ 330,426	12	\$ 899,827	23
Non-controlling interests	( <u>760</u> )	<u>-</u>	( <u>2,730</u> )	<u>-</u>
	<u>\$ 329,666</u>	<u>12</u>	<u>\$ 897,097</u>	<u>23</u>
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the parent	\$ 342,634	12	\$ 849,775	22
Non-controlling interests	( <u>717</u> )	<u>-</u>	( <u>2,709</u> )	<u>-</u>
	<u>\$ 341,917</u>	<u>12</u>	<u>\$ 847,066</u>	<u>22</u>
EARNINGS PER SHARE (Note 21)				
Basic earnings per share	<u>\$ 2.83</u>		<u>\$ 8.83</u>	
Diluted earnings per share	<u>\$ 2.77</u>		<u>\$ 8.58</u>	

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

**Advanced Power Electronics Co., Ltd. and its subsidiaries**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent						Other Equity Interests						
	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	Non-controlling Interests	Total Equity
			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 year ended December 31, 2022	-	-	-	-	899,827	899,827	-	-	-	-	899,827	( 2,730 )	897,097
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	-	2,681	( 52,733 )	-	( 50,052 )	( 50,052 )	21	( 50,031 )
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	899,827	899,827	2,681	( 52,733 )	-	( 50,052 )	849,775	( 2,709 )	847,066
Capital increase by cash	350,000	2,536,800	-	-	-	-	-	-	-	-	2,886,800	-	2,886,800
Issue of common shares under restricted employee shares	10,000	82,300	-	-	-	-	-	-	( 92,300 )	( 92,300 )	-	-	-
Compensation cost of employee share options	-	13,900	-	-	-	-	-	-	-	-	13,900	-	13,900
Compensation cost of employee restricted shares	-	-	-	-	-	-	-	-	11,217	11,217	11,217	-	11,217
BALANCE, DECEMBER 31, 2022	1,173,405	2,977,555	145,127	25,722	1,314,457	1,485,306	( 4,473 )	( 71,301 )	( 81,083 )	( 156,857 )	5,479,409	( 1,041 )	5,478,368
Distribution of 2022 earnings													
Legal reserve	-	-	89,983	-	( 89,983 )	-	-	-	-	-	-	-	-
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 year ended December 31, 2023	-	-	-	-	330,426	330,426	-	-	-	-	330,426	( 760 )	329,666
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	-	304	11,904	-	12,208	12,208	43	12,251
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	330,426	330,426	304	11,904	-	12,208	342,634	( 717 )	341,917
Employee share options issued by the Company	5,500	16,280	-	-	-	-	-	-	-	-	21,780	-	21,780
Compensation cost of employee share options	-	7,485	-	-	-	-	-	-	-	-	7,485	-	7,485
Compensation cost of employee restricted shares	-	-	-	-	-	-	-	-	48,073	48,073	48,073	-	48,073
BALANCE, DECEMBER 31, 2023	<u>\$ 1,178,905</u>	<u>\$ 3,001,320</u>	<u>\$ 235,110</u>	<u>\$ 75,774</u>	<u>\$ 918,146</u>	<u>\$ 1,229,030</u>	<u>( \$ 4,169 )</u>	<u>( \$ 59,397 )</u>	<u>( \$ 33,010 )</u>	<u>( \$ 96,576 )</u>	<u>\$ 5,312,679</u>	<u>( \$ 1,758 )</u>	<u>\$ 5,310,921</u>

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

**Advanced Power Electronics Co., Ltd. and its subsidiaries**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**  
(In Thousands of New Taiwan Dollars)

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	\$ 394,390	\$ 1,097,381
Adjustments for:		
Depreciation expense	32,412	22,508
Amortization expense	4,786	3,712
Expected credit reversal benefit	-	( 81 )
Net (gain)/loss on fair value changes of financial assets at fair value through profit or loss	( 9,190 )	3,392
Finance costs	99	2,129
Interest income	( 63,259 )	( 24,550 )
Dividend income	( 5,963 )	( 2,305 )
Compensation costs of employee share options	55,558	25,117
Loss on decline in (gain from reversal of) market value and obsolete and slow-moving inventories	23,278	4,079
Unrealized (gain)/loss on foreign currency exchange	1,072	( 154,097 )
Lease modification loss	110	-
Changes in operating assets and liabilities:		
Notes receivable	4,712	20,936
Accounts receivable	( 113,925 )	366,263
Other receivables	2,735	14,659
Inventories	96,481	( 277,525 )
Prepayments	85,632	7,524
Other current assets	78	143
Notes payable	( 3,563 )	( 33,475 )
Accounts payable	52,663	( 328,553 )
Other payables	( 114,906 )	38,990
Other current liabilities	<u>12,081</u>	<u>2,042</u>
Net cash inflows generated from operating activities	455,281	788,289
Interest received	62,508	12,870
Interest paid	( 99 )	( 2,759 )
Income taxes paid	( <u>129,850</u> )	( <u>189,382</u> )
Net cash generated from operating activities	<u>387,840</u>	<u>609,018</u>

(Continued)

**Advanced Power Electronics Co., Ltd. and its subsidiaries**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(In Thousands of New Taiwan Dollars)**

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	\$ -	(\$ 102,033)
Purchase of financial assets at amortized cost	( 1,971,591)	( 2,554,605)
Proceeds from sale of financial assets at amortized cost	2,596,256	383,057
Purchase of financial assets at fair value through profit or loss	( 328,200)	-
Payments for property, plant and equipment	( 30,593)	( 40,278)
Increase in refundable deposits	( 1,832)	( 345,858)
Payments for intangible assets	( 4,043)	( 4,552)
Increase in prepayments for equipment	( 316)	( 722)
Other dividend received	<u>5,963</u>	<u>2,305</u>
Net cash generated from/ (used in) investing activities	<u>265,644</u>	( <u>2,662,686</u> )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term loans	-	( 270,000)
Decrease in long-term loans	-	( 144,181)
Repayment of the principal portion of lease liabilities	( 4,116)	( 2,450)
Cash dividends paid	( 586,670)	( 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 / (used in) financing activities	( <u>569,006</u> )	<u>1,982,126</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS</b>	<u>1,782</u>	<u>62,602</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	86,260	( 8,940)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>684,839</u>	<u>693,779</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 771,099</u>	<u>\$ 684,839</u>

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

(Concluded)

# Advanced Power Electronics Co., Ltd. and its subsidiaries

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

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

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### 1. ORGANIZATION AND OPERATIONS

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

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

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

### 2. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the APEC’s board of directors and were authorized for issue on February 29, 2024.

### 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 2024.

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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 IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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

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

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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.

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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
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 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

## **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of Compliance**

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

### **Basis of Preparation**

The accompanying consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

Based on the extent that fair value can be observed, the fair value measurements are grouped

into Levels 1 to 3:

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

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

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

### **Classification of Current and Non-current Assets and Liabilities**

#### **Current assets include:**

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

#### **Current liabilities include:**

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

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

### **Basis of Consolidation**

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

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

## **Foreign Currencies**

In preparing the financial statements of each individual group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

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

## **Inventories**

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

## **Property, Plant and Equipment**

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

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

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

## **Intangible Assets**

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

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

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

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

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

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

## **Financial Instruments**

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

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

### **a. Financial assets**

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

#### **1) Measurement category**

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

a) Financial assets at FVTPL

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

b) Financial assets measured at amortized cost

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

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

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

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

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

c) Investments in equity instruments at FVTOCI

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

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

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

## 2) Impairment of financial assets

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

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

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

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

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

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

## 3) Derecognition of financial assets

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

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

## b. Financial liabilities

### 1) Recognition

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

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

## 2) Derecognition of financial liabilities

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

## Revenue Recognition

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

## Leases

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

### a. The Group as lessor

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

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

### b. The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

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

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

## **Borrowing Costs**

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

## **Employee Benefits**

### **a. Short-term employee benefits**

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

### **b. Retirement benefits**

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

## **Share-based Payment Arrangements**

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

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

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

## **Income Tax**

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

### **a. Current tax**

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

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

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

### **b. Deferred tax**

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

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

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

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

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

c. Current and deferred tax for the year

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

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

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

The Group has considered the economic implications on critical accounting estimates such as cash flow estimation, growth rate, discount rate, and profitability. The estimates and underlying assumptions are reviewed on an ongoing basis.

## 6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Cash on hand and revolving funds	\$ 132	\$ 132
Bank check and demand deposit	160,429	240,400
Cash equivalents (investments with the original expiration date within 3 months)		
Time deposits	481,141	162,763
Repurchase agreements collateralized by bonds	129,397	281,544
	<u>\$ 771,099</u>	<u>\$ 684,839</u>

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	2022
Current		
Structured deposits	<u>\$ 200,905</u>	<u>\$ -</u>
Non-current		
Domestic listed shares (emerging market shares)	\$ 31,681	\$ 24,108
Mutual Fund	128,912	-
	<u>\$ 160,593</u>	<u>\$ 24,108</u>

The Group entered into a structured notes contract with a financial institution. The structured notes contract includes an embedded derivative instrument which is not closely related to the host contract. The entire contract was assessed and classified mandatorily as at FVTPL since it contained a host that is an asset within the scope of IFRS 9.

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

Investments in equity instruments at FVTOCI

	December 31	
	2023	2022
<u>Non-current</u>		
Domestic listed stocks	\$ 60,015	\$ 58,478
Domestic unlisted stocks- private placement	17,980	26,313
Domestic listed stocks (emerging stock market)	47,004	30,369
Domestic unlisted stocks	9,312	8,348
Foreign unlisted stocks	17,064	16,961
	<u>\$ 151,375</u>	<u>\$ 140,469</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 MEASURED AT AMORTIZED COST

	December 31	
	2023	2022
Current		
Investments with the original expiration date over 3 months		
Time deposits (a)	<u>\$1,788,555</u>	<u>\$2,596,010</u>
Non-current		
Corporate bonds (b)	\$ 181,549	\$ -
Pledged deposit certificate (c)	<u>2,000</u>	<u>2,000</u>
	<u>\$ 183,549</u>	<u>\$ 2,000</u>

a. As of December 31, 2023, and 2022, the annual interest rate of Time deposits with the original expiration date over 3 months was 1.28% ~ 5.84% and 0.47% ~ 5.20%, respectively.

b. At the end of the reporting period, corporate bonds bought by the Group were as follows:

Acquisition Date	Issuer	Purchase Amount (In Thousands)	Maturity Date	Coupon Rate	Rate of Effective Interest
September 2023	UBS Group AG	US\$ 1,000	March 2028	4.253%	5.676%
September 2023	Mizuho Financial Group, Inc.	US\$1,000	September 2028	5.414%	5.566%
September 2023	HSBC Holdings PLC	US\$ 940	November 2028	7.390%	6.244%
September 2023	Standard Chartered PLC	US\$ 940	November 2028	7.767%	6.397%
September 2023	UBS Group AG	US\$ 990	December 2027	6.327%	6.057%
September 2023	UBS Group AG	US\$ 990	September 2029	6.246%	6.145%

The Group only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored. The Group continues to review the changes in bond yields and other publicly available information and makes an assessment whether there has been a significant increase in credit risk since the initial recognition to the reporting date.

c. Further details regarding pledged assets are provided in Note 26.

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

	December 31	
	2023	2022
<u>Notes receivable</u>		
From operating	\$ 5,031	\$ 9,743
Less: Allowance for impairment loss	( <u>127</u> )	( <u>127</u> )
	<u>\$ 4,904</u>	<u>\$ 9,616</u>
<u>Accounts receivable</u>		
At amortized cost	\$ 825,278	\$ 713,061
Less: Allowance for impairment loss	( <u>7,505</u> )	( <u>7,528</u> )
	<u>\$ 817,773</u>	<u>\$ 705,533</u>
<u>Doubtful receivable</u>		
At amortized cost	\$ 1,327	\$ 1,327
Less: Allowance for impairment loss	( <u>1,327</u> )	( <u>1,327</u> )
	<u>\$ -</u>	<u>\$ -</u>
<u>Other receivable</u>		
Tax refund receivable	\$ 27,895	\$ 25,551
Earned revenue receivable	13,371	12,620
Others	<u>1,379</u>	<u>5,170</u>
	<u>\$ 42,645</u>	<u>\$ 43,341</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 evidence indicating that the counterparty is in severe financial difficulty and the trade receivable is considered uncollectible. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

## December 31, 2023

	Not Past Due	Overdue			Total
		1 to 90 days	91 to 180 days	Over 180 days	
Gross carrying amount	\$ 817,434	\$ 6,601	\$ -	\$ 1,243	\$ 825,278
Loss allowance (Lifetime ECL)	-	( 6,262)	-	( 1,243)	( 7,505)
Amortized cost	<u>\$ 817,434</u>	<u>\$ 339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 817,773</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>

Movements of allowance for accounts receivable were as follows:

	For the Year Ended December 31	
	2023	2022
Beginning balance	\$ 7,528	\$ 7,482
Less: Impairment losses reversed	-	( 81)
Reclassification	-	107
Effect of exchange rate changes	( 23)	20
Ending balance	<u>\$ 7,505</u>	<u>\$ 7,528</u>

### b. Doubtful receivable

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

Movements of allowance for doubtful receivable were as follows:

	For the Year Ended December 31	
	2023	2022
Beginning balance	\$ 1,327	\$ 1,434
Reclassification	-	( 107)
Ending balance	<u>\$ 1,327</u>	<u>\$ 1,327</u>

## 11. INVENTORIES

	December 31	
	2023	2022
Raw materials	\$ 40,776	\$ 62,985
Work in process	456,662	496,209
Finished goods	<u>255,443</u>	<u>313,432</u>
	<u>\$ 752,881</u>	<u>\$ 872,626</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Cost of goods sold	\$ 2,082,869	\$ 2,508,882
Write-down of inventories	<u>23,278</u>	<u>4,079</u>
	<u><b>\$ 2,106,147</b></u>	<u><b>\$ 2,512,961</b></u>

## 12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Computer Communication Equipment	Office Equipment	Lease Improvement	Other Equipment	Total
<b>Cost</b>								
Balance, January 1, 2022	\$ 139,695	\$ 303,674	\$ 94,894	\$ 12,556	\$ 26,477	\$ 99	\$ 186,770	\$ 764,165
Additions	1,730	3,505	4,531	670	24,592	-	8,426	43,454
Disposals and retirements	-	-	( 8,588 )	( 5,478 )	( 10,496 )	-	( 17,102 )	( 41,664 )
Effect of exchange rate changes	-	-	3	3	1	1	153	161
Balance, December 31, 2022	<u>\$ 141,425</u>	<u>\$ 307,179</u>	<u>\$ 90,840</u>	<u>\$ 7,751</u>	<u>\$ 40,574</u>	<u>\$ 100</u>	<u>\$ 178,247</u>	<u>\$ 766,116</u>
<b>Accumulated depreciation and impairment</b>								
Balance, January 1, 2022	\$ -	\$ 42,396	\$ 82,063	\$ 11,442	\$ 12,292	\$ 99	\$ 180,964	\$ 329,256
Depreciation	-	6,140	3,339	633	3,321	-	6,678	20,111
Disposals and retirements	-	-	( 8,588 )	( 5,478 )	( 10,496 )	-	( 17,102 )	( 41,664 )
Effect of exchange rate changes	-	-	-	3	1	1	153	158
Balance, December 31, 2022	<u>\$ -</u>	<u>\$ 48,536</u>	<u>\$ 76,814</u>	<u>\$ 6,600</u>	<u>\$ 5,118</u>	<u>\$ 100</u>	<u>\$ 170,693</u>	<u>\$ 307,861</u>
Carrying amount, December 31, 2022	<u>\$ 141,425</u>	<u>\$ 258,643</u>	<u>\$ 14,026</u>	<u>\$ 1,151</u>	<u>\$ 35,456</u>	<u>\$ -</u>	<u>\$ 7,554</u>	<u>\$ 458,255</u>
<b>Cost</b>								
Balance, January 1, 2023	\$ 141,425	\$ 307,179	\$ 90,840	\$ 7,751	\$ 40,574	\$ 100	\$ 178,247	\$ 766,116
Additions	1,218	2,467	5,851	2,456	260	-	19,485	31,737
Disposals and retirements	-	-	( 2,291 )	( 187 )	( 92 )	( 100 )	( 85 )	( 2,755 )
Effect of exchange rate changes	-	-	( 3 )	-	-	-	( 192 )	( 195 )
Balance, December 31, 2023	<u>\$ 142,643</u>	<u>\$ 309,646</u>	<u>\$ 94,397</u>	<u>\$ 10,020</u>	<u>\$ 40,742</u>	<u>\$ -</u>	<u>\$ 197,455</u>	<u>\$ 794,903</u>
<b>Accumulated depreciation and impairment</b>								
Balance, January 1, 2023	\$ -	\$ 48,536	\$ 76,814	\$ 6,600	\$ 5,118	\$ 100	\$ 170,693	\$ 307,861
Depreciation	-	6,237	3,985	779	6,761	-	10,543	28,305
Disposals and retirements	-	-	( 2,291 )	( 187 )	( 92 )	( 100 )	( 85 )	( 2,755 )
Effect of exchange rate changes	-	-	( 3 )	-	-	-	( 192 )	( 195 )
Balance, December 31, 2023	<u>\$ -</u>	<u>\$ 54,773</u>	<u>\$ 78,505</u>	<u>\$ 7,192</u>	<u>\$ 11,787</u>	<u>\$ -</u>	<u>\$ 180,959</u>	<u>\$ 333,216</u>
Carrying amount, December 31, 2023	<u>\$ 142,643</u>	<u>\$ 254,873</u>	<u>\$ 15,892</u>	<u>\$ 2,828</u>	<u>\$ 28,955</u>	<u>\$ -</u>	<u>\$ 16,496</u>	<u>\$ 461,687</u>

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

### Buildings

Main buildings 50 years

Mechanical and electrical equipment 15 years

Machinery and Equipment 6 years

Computer Communication Equipment 3-7 years

Office Equipment 5 years

Lease Improvement 5 years

Other Equipment 2-5 years

Property, plant and equipment pledged as collateral for bank borrowings are provided in Note 26.

## 13. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Carrying amounts		
Transportation equipment	<u>\$ 8,319</u>	<u>\$ 7,196</u>

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Additions to right-of-use assets	<u>\$ 5,797</u>	<u>\$ 7,732</u>
Depreciation of right-of-use assets		
Transportation equipment	<u>\$ 4,107</u>	<u>\$ 2,397</u>

b. Lease liabilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Carrying amounts		
Current	<u>\$ 4,561</u>	<u>\$ 3,244</u>
Non-current	<u>\$ 3,746</u>	<u>\$ 3,954</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Transportation equipment	0.92%~2.02%	0.92%~1.03%

c. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Expenses related to short-term leases	<u>\$ 2,369</u>	<u>\$ 2,285</u>
Expenses related to low-value asset leases	<u>\$ 133</u>	<u>\$ 100</u>
Total cash outflow for leases	<u>\$ 6,717</u>	<u>\$ 4,894</u>

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

## 14. OTHER ASSETS

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Non-current		
Refundable deposits	\$ 359,316	\$ 358,050
Long-term pre-payment for purchase	145,961	180,764
Pre-payment for equipment	<u>316</u>	<u>722</u>
	<u>\$ 505,593</u>	<u>\$ 539,536</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
			December 31, 2023	December 31, 2022	
APEC	Future Technology Consulting (B.V.I.), Inc. (Future)	Investment	100%	100%	
APEC	Perfect Prime Limited (Perfect)	Investment	100%	100%	
APEC	Green Power Semiconductor Co., Ltd. (GPS)	Trading	87.96%	87.96%	Note
APEC	Fuhong Investment Co., Ltd. (Fuhong)	Investment	100%	100%	
Perfect	Shenzhen Fucheng Electronics Co., Ltd. (Fucheng)	Trading	100%	100%	
GPS	OPC Microelectronics Co., Ltd. (OPC)	Manufacturing	100%	100%	

Note: 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. OTHER PAYABLES

	December 31	
	2023	2022
Payable for remunerations of employees and directors	\$ 61,671	\$ 172,695
Payable for salaries and rewards	41,460	37,737
Payables on equipment	5,805	5,383
Payable for professional fee	1,093	1,310
Dividend payable	863	831
Others	21,602	28,025
	<u>\$ 132,494</u>	<u>\$ 245,981</u>

## 17. RETIREMENT BENEFIT PLANS

### Defined contribution plans

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

## 18. EQUITY

a. Common stock

	December 31	
	2023	2022
Number of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>117,891</u>	<u>117,341</u>
Shares issued	<u>\$ 1,178,905</u>	<u>\$ 1,173,405</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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>May be used to offset a deficit, distributed as cash Dividends, or transferred to share capital (1)</u>		
Additional paid-in capital	\$ 2,807,058	\$ 2,780,784
Expired employee share option	68,367	68,367
Treasury stock transactions	12,728	12,728
<u>May be used to offset a deficit only</u>		
Unclaimed dividend	9	9
<u>May not be used for any purpose</u>		
Employee share option	23,249	25,758
Employee restricted shares	82,300	82,300
Change in percentage of ownership interest in subsidiaries (2)	<u>7,609</u>	<u>7,609</u>
	<u><b>\$ 3,001,320</b></u>	<u><b>\$ 2,977,555</b></u>

1).Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

2).Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividends policy

In accordance with the policy, APEC's profits earned in a fiscal year shall be first utilized

for paying taxes, offsetting losses of previous years, and setting aside as legal reserve 10% of the remaining profit pursuant to laws and regulations, unless the legal reserve has reached APEC's total paid-up capital. The remaining profits shall be set aside for special reserve in accordance with laws and regulations, or business requirements and then any remaining profit together with any undistributed retained earnings shall be used by the APEC's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and after amendment, refer to Note 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 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 or (reversal)	50,052	( 26,239 )		
Cash dividends to shareholders	586,702	488,043	\$ 5	\$ 6

The 2023 earnings distribution proposal stipulated on February 29, 2024 by the APEC's Board of Directors was as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (\$)</u>
Legal capital reserve	\$ 33,043	
Special capital reversal	( 12,208 )	
Cash dividends to shareholders	294,726	\$ 2.5

APEC's 2023 earnings appropriations will be proposed by the Board of Directors and approved in the shareholders' meeting on May 29, 2024.

## 19. NON-OPERATING INCOME AND EXPENSES

### a. Other income

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Gain on foreign exchange	\$ 6,444	\$ 173,828

		<b>For the Year Ended December 31</b>	
		<b>2023</b>	<b>2022</b>
Gain or (loss) on financial instruments at fair value through profit or loss		9,190	( 3,392 )
Others		( 813 )	( 1,075 )
		<u>\$ 14,821</u>	<u>\$ 169,361</u>
<b>b. Finance costs</b>			
		<b>For the Year Ended December 31</b>	
		<b>2023</b>	<b>2022</b>
Bank loans		\$ -	\$ 2,010
Lease liabilities		99	59
Others		-	60
		<u>\$ 99</u>	<u>\$ 2,129</u>
<b>c. Depreciation and amortization</b>			
		<b>For the Year Ended December 31</b>	
		<b>2023</b>	<b>2022</b>
Property, plant and equipment		\$ 28,305	\$ 20,111
Right-of-use assets		4,107	2,397
Intangible assets		<u>4,786</u>	<u>3,712</u>
		<u>\$ 37,198</u>	<u>\$ 26,220</u>
Depreciation expense classified by function			
Operating cost		\$ 15,544	\$ 9,741
Operating expense		<u>16,868</u>	<u>12,767</u>
		<u>\$ 32,412</u>	<u>\$ 22,508</u>
Amortization expense classified by function			
Operating cost		\$ 272	\$ 288
Operating expense		<u>4,514</u>	<u>3,424</u>
		<u>\$ 4,786</u>	<u>\$ 3,712</u>
<b>d. Employee benefits expenses</b>			
		<b>For the Year Ended December 31</b>	
		<b>2023</b>	<b>2022</b>
Short-term employee benefits		\$ 270,966	\$ 365,242
Post-employment benefits			
Defined contribution plans (Note 17)		7,481	6,786
Share-based Payment		55,558	25,117
Other employee benefits		<u>3,913</u>	<u>4,186</u>
		<u>\$ 337,918</u>	<u>\$ 401,331</u>
Classified by function			
Operating cost		\$ 41,275	\$ 39,577
Operating expense		<u>296,643</u>	<u>361,754</u>
		<u>\$ 337,918</u>	<u>\$ 401,331</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 years ended December 31, 2023 and 2022 were approved by the Board of Directors on February 29, 2024 and February 21, 2023, respectively, were as follows:

Estimated ratio

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Employees' compensation	12%	12%
Remuneration of directors	1.5%	1.5%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
	<b>Paid in Cash</b>	<b>Paid in Cash</b>
Employees' compensation	\$ 54,819	\$ 152,617
Remuneration of directors	6,852	19,077

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

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Current income tax expense		
Current period	\$ 67,540	\$ 192,449
Additional income tax on unappropriated earnings	8,655	3,970
Prior years' adjustment	( 960 )	( 370 )
	<u>75,235</u>	<u>196,049</u>
Deferred income tax expense		
Current period	( 10,511 )	4,235
Income tax expense recognized in profit or loss	<u>\$ 64,724</u>	<u>\$ 200,284</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Income before tax	<u>\$ 394,390</u>	<u>\$1,097,381</u>
Income tax expense at the statutory rate	\$ 79,865	\$ 215,487
Non-taxable income	( 2,575 )	( 1,879 )
Additional income tax on unappropriated earnings	8,655	3,970
Loss carryforwards	53	23
Investment tax credits	( 20,314 )	( 16,947 )
Prior years' other adjustments	( 960 )	( 370 )
Income tax expense recognized in profit or loss	<u>\$ 64,724</u>	<u>\$ 200,284</u>

b. Deferred tax assets and liabilities

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

For the Year Ended December 31, 2023

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>			
Loss on decline in market value and obsolete and slow-moving inventories	\$ 12,697	\$ 4,605	\$ 17,302
Losses on investments recognized adopting the equity method	19,551	1,050	20,601
Unrealized exchange losses	-	1,768	1,768
Loss on financial assets	<u>951</u>	<u>-</u>	<u>951</u>
	<u>\$ 33,199</u>	<u>\$ 7,423</u>	<u>\$ 40,622</u>
<u>Deferred tax liabilities</u>			
Unrealized exchange gains	\$ 3,391	( \$ 3,391 )	\$ -
Unrealized gains on financial assets	<u>-</u>	<u>303</u>	<u>303</u>
	<u>\$ 3,391</u>	<u>( \$ 3,088 )</u>	<u>\$ 303</u>

For the Year Ended December 31, 2022

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

c. Unrecognized deferred tax assets items

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Loss carryforwards	<u>\$ 58,560</u>	<u>\$ 58,294</u>

d. Unrecognized Loss carryforwards

As of December 31, 2023, the information of the prior years' loss carryforwards was as follows:

<b>Amount</b>	<b>Expiry Years</b>
\$ 9,445	2026
17,586	2027
11,775	2028
15,053	2029
4,319	2030
116	2032
266	2033
<u>\$ 58,560</u>	

e. Income tax examination

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

	<b>Year</b>
APEC	2021
Green Power Semiconductor Co., Ltd.	2021
Fuhong Investment Co., Ltd.	2021

## 21. EARNINGS PER SHARE

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

Net profit for the current year

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Basic EPS and Diluted EPS		
Profit attributable to owners of the parent	<u>\$ 330,426</u>	<u>\$ 899,827</u>

Common Shares Outstanding (in thousands)

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Basic EPS		
Profit attributable to owners of the parent	116,850	101,957
Effect of potential dilutive common shares:		
Employees' compensation	750	1,623
Employee share option	956	1,205
Employee restricted shares	<u>605</u>	<u>47</u>
Diluted EPS		
Profit attributable to owners of the parent	<u>119,161</u>	<u>104,832</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 2021 and May 2018, respectively. Each option entitles the holder to subscribe for 1,000 common shares of the Company's. The outstanding options are valid for 6 years and exercisable at 40%, 30% and 30% after two, three and four anniversaries from the grant date. The exercise price was based on the closing price at the grant date. After the option is issued, in case of variation to the common shares of the Company's, the exercise price will be adjusted according to the specified formula.

Information about employee share options was as follows:

	For the Year Ended December 31			
	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 exercised	( 550 )	39.60	-	-
Options expired upon resignation	( 30 )	39.60	-	-
Balance, end of period	<u>1,485</u>	36.97	<u>2,065</u>	39.05
Options exercisable, end of period	<u>303</u>		<u>65</u>	

Information about outstanding options was as follows:

	December 31	
	2023	2022
Range of exercise price (\$)	\$21.10~\$37.70	\$22.10~\$39.60
Weighted-average remaining contractual life (years)	0.36~3.19	1.36~4.19

Compensation cost recognized was \$7,485 thousand and \$13,900 thousand for the years ended December 31, 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.

- 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 \$48,073 thousand and \$11,217 thousand for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023, the Company had recognized \$33,010 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—Fair value of financial instruments not measured at fair value

Except for the following, 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.

December 31, 2023

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost					
—Foreign corporate bonds	\$181,549	\$185,597	\$ -	\$ -	\$185,597

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

1). Levels of fair value

December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
– Domestic listed shares (emerging market shares)	\$ 31,681	\$ -	\$ -	\$ 31,681
– Mutual funds	128,912	-	-	128,912
– Structured deposits	-	200,905	-	200,905
	<u>\$ 160,593</u>	<u>\$ 200,905</u>	<u>\$ -</u>	<u>\$ 361,498</u>
<u>Financial assets at FVTOCI</u>				
Equity instruments				
– Domestic listed shares	\$ 60,015	\$ 17,980	\$ -	\$ 77,996
– Domestic listed shares (emerging market shares)	47,004	-	-	47,003
– Foreign / Domestic unlisted shares	-	-	26,376	26,376
	<u>\$ 107,019</u>	<u>\$ 17,980</u>	<u>\$ 26,376</u>	<u>\$ 151,375</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	-	-	25,309	25,309
	<u>\$ 88,847</u>	<u>\$ 26,313</u>	<u>\$ 25,309</u>	<u>\$ 140,469</u>

There was no transfer between the fair value measurements of Levels 1 and 2 for the years ended December 31, 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 shares -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.
Structured deposits	Structured deposits were evaluated by the discounted cash flow method. Future cash flows are estimated based on the observable interest rate at the end of year, discounted at the market interest rate.

### 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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 361,498	\$ 24,108
Financial assets measured at amortized cost (Note1)	3,967,841	4,399,389
Financial assets at FVTOCI -Equity instruments	151,375	140,469
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost (Note 2)	485,461	550,431

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

Note2: The balances comprise notes and accounts payable and other payables.

#### d. Purpose and policy of financial risk management

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

The Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the

reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the year for a 5% change in foreign currency rates.

A positive number below indicates an increase/a decrease in pre-tax profit associated with the New Taiwan dollar strengthening 5% against the relevant currency. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative by \$79,575 thousand and \$81,072 thousand for the years ended December 31, 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:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Fair value interest rate risk		
Financial assets	\$2,579,522	\$2,681,117
Financial liabilities	8,307	7,198
Cash flow interest rate risk		
Financial assets	364,424	601,584

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. A 0.5% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2023 and 2022 would have decreased/increased by \$1,822 thousand and \$3,008 thousand, respectively, which was mainly a result of the changes on its variable-rate bank deposits.

c). Other price risk

The Group was exposed to equity price risk through its investments in Stocks and Mutual Funds. The Group manages this exposure by maintaining a portfolio of investments with different risks. All of investments are subject to the consent and approval of the Group's management.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the year.

If equity prices had been 5% higher/lower, pre-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by \$18,075

thousand and \$1,205 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the year ended December 31, 2023 and 2022 would have increased/decreased by \$7,569 thousand and \$7,023 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2). Credit risk

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

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

The Group has an enormous base of customers that is not inter-related and hence credit risk is not highly concentrated. The Group is not associated with major exposure to the credit risk versus any single counterparty or any group of counterparties with similar properties. When counterparties are affiliated with one another, the Group defines them as counterparties with similar properties.

3). Liquidity risk

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

a). Liquidity and interest risk rate table

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

December 31, 2023

	<b>Contractual Cash Flows or within a year</b>	<b>1-5 Years</b>	<b>More Than 5 Years</b>
<u>Non-derivative financial liabilities</u>			
Notes payable	\$ 290	\$ -	-
Accounts payable	352,677	-	-
Other payables	132,494	-	-
Lease liabilities	<u>4,656</u>	<u>3,791</u>	-
	<u>\$ 490,117</u>	<u>\$ 3,791</u>	<u>\$ -</u>

December 31, 2022

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

b). Financing facilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Unsecured loans (Renew by every year)		
— Used amount	\$ -	\$ -
— Unused amount	<u>2,586,000</u>	<u>800,000</u>
	<u>\$2,586,000</u>	<u>\$ 800,000</u>
Secured loans		
— Used amount	\$ -	\$ -
— Unused amount	<u>714,000</u>	<u>180,000</u>
	<u>\$ 714,000</u>	<u>\$ 180,000</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

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

b. Sales of goods

Account	Related Party Categories	For the Year Ended December 31	
		2023	2022
Sales Revenue	Investors with significant influence	\$ 1,236	\$ -
Sales Revenue	Substantive related party	<u>2,637</u>	<u>-</u>
		<u>\$ 3,873</u>	<u>\$ -</u>

c. Purchases of goods

Related Party Categories	For the Year Ended December 31	
	2023	2022
Substantive related party	<u>\$ 2,497</u>	<u>\$ -</u>

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

Account	Related Party Categories	December 31	
		2023	2022
Accounts receivable	Substantive related party	<u>\$ 2,358</u>	<u>\$ -</u>
Other receivable	Investors with significant influence	<u>\$ -</u>	<u>\$ 48</u>

e. Payables to related parties

Account	Related Party Categories	December 31	
		2023	2022
Accounts payables	Substantive related party	<u>\$ 358</u>	<u>\$ -</u>

f. Others

Account	Related Party Categories	For the Year Ended December 31	
		2023	2022
Operating expenses	Investors with significant influence	<u>\$ 150</u>	<u>\$ -</u>
Other income	Investors with significant influence	<u>\$ 276</u>	<u>\$ 212</u>

g. Compensation of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 95,792	\$ 111,160
Post-employment benefits	<u>596</u>	<u>540</u>
	<u>\$ 96,388</u>	<u>\$ 111,700</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:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Pledged deposit certificate (Financial assets measured at amortized cost-Non-current)	\$ 2,000	\$ 2,000
Land	61,590	61,590
Buildings	<u>139,483</u>	<u>143,329</u>
	<u>\$203,073</u>	<u>\$ 206,919</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:

### December 31, 2023

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 59,453	30.705(USD:NTD)	\$ 1,825,504
RMB	14,981	4.327(RMB:NTD)	64,823
USD	18	7.096(USD:RMB)	<u>553</u>
			<u>\$ 1,890,880</u>

### Foreign currency liabilities

<u>Monetary items</u>			
USD	9,750	30.705(USD:NTD)	<u>\$ 299,374</u>

### December 31, 2022

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 59,710	30.710(USD:NTD)	\$ 1,833,694
RMB	12,990	4.408(RMB:NTD)	57,260
USD	90	6.967(USD:RMB)	<u>2,764</u>
			<u>\$ 1,893,718</u>

### Foreign currency liabilities

<u>Monetary items</u>			
USD	\$ 8,866	30.710(USD:NTD)	<u>\$ 272,275</u>

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

For the Year Ended December 31				
2023			2022	
Foreign Currency	Exchange rate	Net exchange profits or losses	Exchange rate	Net exchange profits or losses
USD	31.155 (USD:NTD)	\$ 7,585	29.805 (USD:NTD)	\$ 173,440
RMB	4.396 (RMB:NTD)	( 1,223)	4.422 (RMB:NTD)	317
		\$ 6,362		\$173,757

## 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: Note 7.
  - 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 2 (attached).
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
    - c) The amount of property transactions and the amount of the resultant gains or losses.
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
    - e) The highest balance, the end of period balance, the interest rate range, and total

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

## 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.

### a. Product information

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

### b. Geographical information

The primary operation region of the Consolidated Company is Taiwan.

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

	Net Revenue from External Customers		Noncurrent Assets	
	For the Year Ended December 31		December 31	
	2023	2022	2023	2022
Taiwan	\$ 2,189,554	\$ 2,636,756	\$ 619,333	\$ 649,715
China	542,954	1,057,668	33	100
Others	118,654	216,714	-	-
	<u>\$ 2,851,162</u>	<u>\$ 3,911,138</u>	<u>\$ 619,366</u>	<u>\$ 649,815</u>

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

### c. Information on major customers

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

	For the Year Ended December 31	
	2023	2022
Customer A	<u>\$ 726,616</u>	<u>\$ 615,585</u>

**TABLE 1****Advanced Power Electronics Co., Ltd. and its subsidiaries****MARKETABLE SECURITIES HELD****FOR THE YEAR ENDED DECEMBER 31, 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	December 31, 2023				Note
				Shares/Units Note (In Thousands)	Carrying Value	Percentage of Ownership (%)	Fair Value	
APEC	<u>Stock</u> Advanced Microelectronic Products, Inc.	-	Financial assets at fair value through other comprehensive income –Non-Current	1,427	\$ 17,980	1	\$ 17,980	
	AXElite Co., Ltd.	-	Financial assets at fair value through other comprehensive income –Non-Current	398	9,312	5	9,312	
	Fubon Financials' Class A Preferred Shares	-	Financial assets at fair value through other comprehensive income –Non-Current	496	30,305	-	30,305	
	Fubon Financials' Class B Preferred Shares	-	Financial assets at fair value through other comprehensive income –Non-Current	496	29,710	-	29,710	
	<u>Mutual funds</u> Fubon Chi-Hsiang Money Market Fund	-	Financial assets at fair value through profit or loss – Non-Current	7,179	115,609	-	115,609	
	<u>Structured notes</u> President Securities PGN	-	Financial assets at fair value through profit or loss –Current	-	200,905	-	200,905	
	<u>Bonds</u> UBS Group	-	Financial assets at amortized cost–Non-Current	-	29,083	-	29,768	
	Mizuho Financial Group Inc.	-	Financial assets at amortized cost–Non-Current	-	30,515	-	30,951	
	HSBC Holdings PLC	-	Financial assets at amortized cost–Non-Current	-	30,226	-	30,958	
	Standard Chartered PLC	-	Financial assets at amortized cost–Non-Current	-	30,497	-	30,938	
	UBS Group	-	Financial assets at amortized cost–Non-Current	-	30,684	-	31,313	
	UBS Group AG	-	Financial assets at amortized cost–Non-Current	-	30,544	-	31,669	

(To be continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2023				Note
				Shares/Units Note (In Thousands)	Carrying Value	Percentage of Ownership (%)	Fair Value	
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	\$ 17,064	13	\$ 17,064	
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	31,681	-	31,618	
	Micro Silicon Electronics Corp.	-	Financial assets at fair value through profit or loss –Non-Current	915	47,004	1	47,004	
	<u>Mutual funds</u> Fubon Chi-Hsiang Money Market Fund		Financial assets at fair value through profit or loss – Non-Current	826	13,303	-	13,303	

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.

**TABLE 2**

**Advanced Power Electronics Co., Ltd. and its subsidiaries**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 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	\$ 17,780	Note 4	1
				Receivables from related parties	4,005	Note 4	-
				Prepayments	18,388	Note 4	-
				Professional service fees	10,073	By contract	-
1	Shenzhen Fucheng Electronics Co., Ltd.	OPC Microelectronics Co., Ltd.	(3)	Professional service income	4,788	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.
- (3) Between the consolidated subsidiaries.

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

Note 5: The disclosure standard of above transactions are amounts exceeding NT\$ 1,000 thousand.

**TABLE 3**

**Advanced Power Electronics Co., Ltd. and its subsidiaries**

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 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 December 31, 2023			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 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	\$ 18,719	( \$ 827 )	( \$ 827 )	
	Perfect Prime Limited	Samoa	General investment	14,540 USD 450	14,540 USD 450	450	100	585	( 4,425 )	( 4,425 )	
	Green Power Semiconductor Co., Ltd.	Taiwan	Trading	100,000	100,000	1,715	87.96	( 12,846 )	( 6,315 )	( 5,555 )	
	Fuhong Investment Co., Ltd.	Taiwan	General investment	80,000	80,000	8,000	100	93,697	10,490	10,490	

**TABLE 4**

**Advanced Power Electronics Co., Ltd. and its subsidiaries**

INVESTMENTS IN MAINLAND CHINA  
 FOR THE YEAR ENDED DECEMBER 31, 2023  
 (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, 2023 (US\$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 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 December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 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	\$ 13,510 USD 440	(2)A	\$ 13,510 USD 440	\$ -	\$ -	\$ 13,510 USD 440	( \$ 4,391 ) ( USD 141 )	100%	( \$ 4,391 ) ( USD 141 )	\$ 460 USD 15	\$ -	
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	( 5,600 )	100%	( 5,600 )	( 19,970 )	-	

Accumulated Investment in Mainland China as of December 31, 2023 (US\$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on Investment ( Note2 )
\$ 77,276	\$ 77,276	\$ 3,187,607

Note 1: The investment types are as follows:  
 1). Direct investment in Mainland China.  
 2). Indirect investment in Mainland China through a subsidiary in a third place.  
     A. Reinvestment through Perfect Prime Limited  
 3). Reinvestment through Green Power Semiconductor Co., Ltd in Taiwan.

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

Note 3:The foreign currency assets and profits or losses listed herein are expressed, respectively, in New Taiwan Dollar at an end-of-term and mean exchange rates of US\$ 1=NT\$30.705 and US\$ 1=NT\$31.155 as of December 31, 2023.

**TABLE 5**

**Advanced Power Electronics Co., Ltd.**  
**INFORMATION OF MAJOR STOCKHOLDERS**  
**DECEMBER 31, 2023**

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

## **Attachment II**

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Advanced Power Electronics  
Co.,Ltd.

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

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

## INDEPENDENT AUDITORS' REPORT

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

### Opinion

We have audited the accompanying parent company only financial statements of Advanced Power Electronics Co., Ltd. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2023 and 2022, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including material accounting policy information.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the accompanying parent company only financial position of the Company as of December 31, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing Engagements of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent company only

financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the parent company only financial statements for the year ended December 31, 2023 are stated as follows:

#### Validity of Revenue

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

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

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

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or

error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

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

audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche

Taipei, Taiwan

Republic of China

February 29, 2024

Notice to Readers

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

*For the convenience of readers, the independent auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the 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' report and parent company only financial statements shall prevail.*

# Advanced Power Electronics Co., Ltd.

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

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents (Notes 4 and 6)	\$ 760,773	13	\$ 665,501	11
Financial assets at fair value through profit or loss (Notes 4 and 7)	200,905	3	-	-
Financial assets at amortized cost (Notes 4 and 9)	1,784,155	30	2,582,415	42
Notes receivable (Note 10)	4,904	-	9,616	-
Accounts receivable (Notes 4 and 10)	815,415	14	705,453	11
Accounts receivable due from related parties (Note 25)	6,363	-	2,306	-
Other receivables (Notes 4, 10 and 25)	42,626	1	43,155	1
Inventories (Notes 4 and 11)	752,881	13	872,373	14
Other current assets (Note 25)	21,562	-	70,626	1
Total current assets	<u>4,389,584</u>	<u>74</u>	<u>4,951,445</u>	<u>80</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss (Notes 4 and 7)	115,609	2	-	-
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	87,307	1	93,139	2
Financial assets at amortized cost (Notes 4 and 9)	183,549	3	2,000	-
Investments accounted for using equity method (Notes 4 and 12)	113,001	2	91,033	1
Property, plant and equipment (Notes 4 and 13)	461,654	8	458,155	7
Right-of-use assets (Notes 4 and 14)	8,319	-	7,196	-
Other intangible assets, net (Note 4)	3,083	-	2,878	-
Deferred tax assets (Notes 4 and 20)	40,622	1	33,199	1
Other non-current assets (Note 15)	505,193	9	539,129	9
Total non-current assets	<u>1,518,337</u>	<u>26</u>	<u>1,226,729</u>	<u>20</u>
<b>TOTAL</b>	<u>\$ 5,907,921</u>	<u>100</u>	<u>\$ 6,178,174</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Notes payable	\$ 290	-	\$ 3,853	-
Accounts payable (Note 25)	352,608	6	300,526	5
Other payables (Notes 16 and 25)	129,755	2	244,065	4
Current tax liabilities (Note 4)	70,122	1	122,947	2
Lease liabilities (Notes 4 and 14)	4,561	-	3,244	-
Other current liabilities	20,973	1	9,141	-
Total current liabilities	<u>578,309</u>	<u>10</u>	<u>683,776</u>	<u>11</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Notes 4 and 20)	303	-	3,391	-
Lease liabilities (Notes 4 and 14)	3,746	-	3,954	-
Guarantee deposits	38	-	38	-
Credit balance of investments accounted for using equity method (Notes 4 and 12)	12,846	-	7,606	-
Total non-current liabilities	<u>16,933</u>	<u>-</u>	<u>14,989</u>	<u>-</u>
Total liabilities	<u>595,242</u>	<u>10</u>	<u>698,765</u>	<u>11</u>
<b>EQUITY (Notes 4 and 18)</b>				
Common stock	<u>1,178,905</u>	<u>20</u>	<u>1,173,405</u>	<u>19</u>
Capital surplus	<u>3,001,320</u>	<u>51</u>	<u>2,977,555</u>	<u>48</u>
Retained earnings				
Legal reserve	235,110	4	145,127	2
Special reserve	75,774	1	25,722	1
Unappropriated earnings	918,146	16	1,314,457	21
Total retained earnings	<u>1,229,030</u>	<u>21</u>	<u>1,485,306</u>	<u>24</u>
Other equity interests	( 96,576 )	( 2 )	( 156,857 )	( 2 )
Total equity	<u>5,312,679</u>	<u>90</u>	<u>5,479,409</u>	<u>89</u>
<b>TOTAL</b>	<u>\$ 5,907,921</u>	<u>100</u>	<u>\$ 6,178,174</u>	<u>100</u>

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

**Advanced Power Electronics Co., Ltd.**

**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 25)	\$ 2,849,634	100	\$ 3,908,079	100
OPERATING COSTS (Notes 11,19 and 25)	<u>2,105,837</u>	<u>74</u>	<u>2,512,610</u>	<u>65</u>
GROSS PROFIT FROM OPERATIONS	<u>743,797</u>	<u>26</u>	<u>1,395,469</u>	<u>35</u>
OPERATING EXPENSES (Notes 19 and 25)				
Selling and marketing expenses	88,650	3	86,500	2
General and administrative expenses	179,746	6	217,838	6
Research and development expenses	<u>155,262</u>	<u>6</u>	<u>170,346</u>	<u>4</u>
Total operating expenses	<u>423,658</u>	<u>15</u>	<u>474,684</u>	<u>12</u>
PROFIT FROM OPERATIONS	<u>320,139</u>	<u>11</u>	<u>920,785</u>	<u>23</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	63,106	2	24,303	1
Other income (Note 25)	4,800	-	4,990	-
Other gains and losses, net (Note 19)	7,521	1	174,390	5
Finance costs (Notes 4 and 19)	( 99)	-	( 2,069)	-
Share of profit of subsidiaries and associates accounted for using equity method	( <u>317</u> )	<u>-</u>	( <u>22,288</u> )	( <u>1</u> )
Total non-operating income and expenses	<u>75,011</u>	<u>3</u>	<u>179,326</u>	<u>5</u>
PROFIT BEFORE INCOME TAX	395,150	14	1,100,111	28
INCOME TAX EXPENSE (Notes 4 and 20)	<u>64,724</u>	<u>2</u>	<u>200,284</u>	<u>5</u>
NET PROFIT	<u>330,426</u>	<u>12</u>	<u>899,827</u>	<u>23</u>

(Continued)

# Advanced Power Electronics Co., Ltd.

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

### FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

	2023		2022	
	Amount	%	Amount	%
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	(\$ 4,837)	-	(\$ 38,960)	( 1)
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	16,741	-	( 13,773)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	72	-	2,675	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	<u>232</u>	-	<u>6</u>	-
Other comprehensive income (loss) (after tax)	<u>12,208</u>	-	( <u>50,052</u> )	( <u>1</u> )
TOTAL COMPREHENSIVE INCOME	<u>\$ 342,634</u>	<u>12</u>	<u>\$ 849,775</u>	<u>22</u>
EARNINGS PER SHARE (Note 21)				
Basic earnings per share	<u>\$ 2.83</u>		<u>\$ 8.83</u>	
Diluted earnings per share	<u>\$ 2.77</u>		<u>\$ 8.58</u>	

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

**Advanced Power Electronics Co., Ltd. and its subsidiaries**

**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

(In Thousands of New Taiwan Dollars)

	Common Stock	Capital Surplus	Retained Earnings				Foreign Currency Translation Reserve	Other Equity Interests		Total	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Total		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Employee Benefits		
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
Distribution of 2021 earnings											
Legal reserve	-	-	65,279	-	( 65,279 )	-	-	-	-	-	-
Reversal of special reserve	-	-	-	( 26,239 )	26,239	-	-	-	-	-	-
Cash dividends -NT\$ 6.0 per share	-	-	-	-	( 488,043 )	( 488,043 )	-	-	-	-	( 488,043 )
Profit for the year ended December 31, 2022	-	-	-	-	899,827	899,827	-	-	-	-	899,827
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	-	2,681	( 52,733 )	-	( 50,052 )	( 50,052 )
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	899,827	899,827	2,681	( 52,733 )	-	( 50,052 )	849,775
Capital increase by cash	350,000	2,536,800	-	-	-	-	-	-	-	-	2,886,800
Issue of common shares under restricted employee shares	10,000	82,300	-	-	-	-	-	-	( 92,300 )	( 92,300 )	-
Compensation cost of employee share options	-	13,900	-	-	-	-	-	-	-	-	13,900
Compensation cost of employee restricted shares	-	-	-	-	-	-	-	-	11,217	11,217	11,217
BALANCE, DECEMBER 31, 2022	1,173,405	2,977,555	145,127	25,722	1,314,457	1,485,306	( 4,473 )	( 71,301 )	( 81,083 )	( 156,857 )	5,479,409
Distribution of 2022 earnings											
Legal reserve	-	-	89,983	-	( 89,983 )	-	-	-	-	-	-
Special reserve	-	-	-	50,052	( 50,052 )	-	-	-	-	-	-
Cash dividends -NT\$ 5.0 per share	-	-	-	-	( 586,702 )	( 586,702 )	-	-	-	-	( 586,702 )
Profit for the year ended December 31, 2023	-	-	-	-	330,426	330,426	-	-	-	-	330,426
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	-	304	11,904	-	12,208	12,208
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	330,426	330,426	304	11,904	-	12,208	342,634
Employee share options issued by the Company	5,500	16,280	-	-	-	-	-	-	-	-	21,780
Compensation cost of employee share options	-	7,485	-	-	-	-	-	-	-	-	7,485
Compensation cost of employee restricted shares	-	-	-	-	-	-	-	-	48,073	48,073	48,073
BALANCE, DECEMBER 31, 2023	<u>\$ 1,178,905</u>	<u>\$ 3,001,320</u>	<u>\$ 235,110</u>	<u>\$ 75,774</u>	<u>\$ 918,146</u>	<u>\$ 1,229,030</u>	<u>( \$ 4,169 )</u>	<u>( \$ 59,397 )</u>	<u>( \$ 33,010 )</u>	<u>( \$ 96,576 )</u>	<u>\$ 5,312,679</u>

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

# Advanced Power Electronics Co., Ltd.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 395,150	\$ 1,100,111
Adjustments for:		
Depreciation expense	32,345	22,441
Amortization expense	4,786	3,712
Net gain on fair value changes of financial assets at fair value through profit or loss	( 1,514)	-
Finance costs	99	2,069
Interest income	( 63,106)	( 24,303)
Dividend income	( 3,038)	( 1,483)
Compensation costs of employee share options	55,558	25,117
Share of loss of subsidiaries and associates accounted for using equity method	317	22,288
Loss on decline in market value and obsolete and slow-moving inventories	23,026	4,079
Unrealized (gain)/loss on foreign currency exchange	879	( 152,946)
Lease modification loss	110	-
Changes in operating assets and liabilities:		
Notes receivable	4,712	20,936
Accounts receivable (related parties included)	( 115,832)	376,923
Other receivables	2,826	14,658
Inventories	96,466	( 277,825)
Prepayments	85,668	6,464
Other current assets	( 17)	( 13)
Notes payable	( 3,563)	( 33,475)
Accounts payable (related parties included)	52,669	( 328,554)
Other payables (related parties included)	( 115,700)	45,814
Other current liabilities	<u>11,832</u>	<u>1,618</u>
Net cash inflows generated from operating activities	463,673	827,631
Interest received	62,097	12,640
Interest paid	( 99)	( 2,249)
Income taxes paid	( <u>129,843</u> )	( <u>189,390</u> )
Net cash generated from operating activities	<u>395,828</u>	<u>648,632</u>

(Continued)

# Advanced Power Electronics Co., Ltd.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	\$ -	(\$ 60,858)
Purchase of financial assets at amortized cost	( 1,971,591 )	( 2,550,446 )
Proceeds from sale of financial assets at amortized cost	2,587,067	383,057
Purchase of financial assets at fair value through profit or loss	( 315,000 )	-
Payments for property, plant and equipment	( 30,593 )	( 39,007 )
Increase in refundable deposits	( 1,832 )	( 345,815 )
Payments for intangible assets	( 4,075 )	( 4,552 )
Increase in prepayments for equipment	( 316 )	( 722 )
Other dividend received	<u>3,038</u>	<u>1,483</u>
Net cash generated from/ (used in) investing activities	<u>266,698</u>	( <u>2,616,860</u> )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term loans	-	( 270,000 )
Decrease in long-term loans	-	( 144,181 )
Repayment of the principal portion of lease liabilities	( 4,116 )	( 2,450 )
Cash dividends paid	( 586,670 )	( 488,043 )
Capital increase by cash	-	2,886,800
Proceeds from exercise of employee share options	21,780	-
Cash outflow on acquisition of subsidiaries	<u>-</u>	( <u>50,000</u> )
Net cash generated from / (used in) financing activities	( <u>569,006</u> )	<u>1,932,126</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS</b>	<u>1,752</u>	<u>60,058</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	95,272	23,956
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>665,501</u>	<u>641,545</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 760,773</u>	<u>\$ 665,501</u>

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

# Advanced Power Electronics Co., Ltd.

## NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

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### 1. ORGANIZATION AND OPERATIONS

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

The Company’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, The Company’s stock was shifted to be listed on the Taiwan Stock Exchange (TWSE).

The parent company only financial statements are presented in New Taiwan dollars (NTD), which is the Company’s functional currency.

### 2. APPROVAL OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

The Board of Directors approved the parent company only financial statements on February 29, 2024.

### 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 Company’s accounting policies.

- b. The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC for application starting from 2024.

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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 IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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

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

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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
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 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

## **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of Compliance**

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

### **Basis of Preparation**

The accompanying parent company only financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

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

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

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

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

When preparing the parent company only financial statements, the Company accounts for subsidiaries by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to owners of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the parent company only financial statements.

### **Classification of Current and Non-current Assets and Liabilities**

#### **Current assets include:**

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

#### **Current liabilities include:**

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

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

### **Foreign Currencies**

In preparing the parent company only financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

Foreign currency transactions are recorded at the spot exchange rate on the date of the transaction. At the end of the reporting period, foreign currency monetary items are reported using the closing rate. Exchange differences in the period on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

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

When preparing the parent company only financial statements, the assets and liabilities of foreign operations are translated to NTD using the exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated at the average exchange rate for the period. Exchange differences arising are recognized in other comprehensive income.

### **Inventories**

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

### **Investments Accounted for Using Equity Method**

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

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment in a subsidiary is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

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

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary, the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of

the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

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

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

### **Property, Plant and Equipment**

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

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

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

### **Intangible Assets**

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

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

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

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If

any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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

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

### **Financial Instruments**

Financial assets and financial liabilities are recognized in the parent company only balance sheets when the Company becomes a party to the contractual provisions of the instruments.

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

#### **a. Financial assets**

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

##### **1) Measurement category**

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

##### **a) Financial assets at FVTPL**

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

##### **b) Financial assets measured at amortized cost**

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

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

#### c) Investments in equity instruments at FVTOCI

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

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

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

#### 2) Impairment of financial assets

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

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

ECLs reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will

result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

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

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

### 3) Derecognition of financial assets

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

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

### b. Financial liabilities

#### 1) Recognition

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

#### 2) Derecognition of financial liabilities

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

## **Revenue Recognition**

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

## **Leases**

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

### **a. The Company as lessor**

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

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

### **b. The Company as lessee**

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the parent company only balance sheets.

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

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

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

## **Borrowing Costs**

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

## **Employee Benefits**

### **a. Short-term employee benefits**

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

### **b. Retirement benefits**

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

## **Share-based Payment Arrangements**

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

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

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

## **Income Tax**

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

### **a. Current tax**

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

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

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

### **b. Deferred tax**

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

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

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

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

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

c. Current and deferred tax for the year

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

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

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

The Company has considered the economic implications on critical accounting estimates such as cash flow estimation, growth rate, discount rate, and profitability. The estimates and underlying assumptions are reviewed on an ongoing basis.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Cash on hand and revolving funds	\$ 100	\$ 100
Bank check and demand deposit	150,135	221,094
Cash equivalents (investments with the original expiration date within 3 months)		
Time deposit	481,141	162,763
Repurchase agreements collateralized by bonds	<u>129,397</u>	<u>281,544</u>
	<u>\$ 760,773</u>	<u>\$ 665,501</u>

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	2022
<u>Current</u>		
Structured deposits	<u>\$ 200,905</u>	<u>\$ -</u>
<u>Non-current</u>		
Mutual Fund	<u>\$ 115,609</u>	<u>\$ -</u>

The Company entered into a structured notes contract with a financial institution. The structured notes contract includes an embedded derivative instrument which is not closely related to the host contract. The entire contract was assessed and classified mandatorily as at FVTPL since it contained a host that is an asset within the scope of IFRS 9.

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

	December 31	
	2023	2022
<u>Non-current</u>		
Domestic listed stocks	\$ 60,015	\$ 58,478
Domestic listed stocks- private placement	17,980	26,313
Domestic unlisted stocks	<u>9,312</u>	<u>8,348</u>
	<u>\$ 87,307</u>	<u>\$ 93,139</u>

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

## 9. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	December 31	
	2023	2022
<u>Current</u>		
Investments with the original expiration date over 3 months		
Time deposits (a)	<u>\$1,784,155</u>	<u>\$2,582,415</u>
<u>Non-current</u>		
Corporate bonds (b)	\$ 181,549	\$ -
Pledged deposit certificate (c)	<u>2,000</u>	<u>2,000</u>
	<u>\$ 183,549</u>	<u>\$ 2,000</u>

- a. As of December 31, 2023, and 2022, the annual interest rate of Time deposits with the original expiration date over 3 months was 1.28% ~ 5.84% and 0.90% ~ 5.20%, respectively.

b. At the end of the reporting period, corporate bonds bought by the Company were as follows:

Acquisition Date	Issuer	Purchase Amount (In Thousands)	Maturity Date	Coupon Rate	Rate of Effective Interest
September 2023	UBS Group AG	US\$ 1,000	March 2028	4.253%	5.676%
September 2023	Mizuho Financial Group, Inc.	US\$1,000	September 2028	5.414%	5.566%
September 2023	HSBC Holdings PLC	US\$ 940	November 2028	7.390%	6.244%
September 2023	Standard Chartered PLC	US\$ 940	November 2028	7.767%	6.397%
September 2023	UBS Group AG	US\$ 990	December 2027	6.327%	6.057%
September 2023	UBS Group AG	US\$ 990	September 2029	6.246%	6.145%

The Company only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Company's exposure and the external credit ratings are continuously monitored. The Company continues to review the changes in bond yields and other publicly available information and makes an assessment whether there has been a significant increase in credit risk since the initial recognition to the reporting date.

c. Further details regarding pledged assets are provided in Note 26.

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

	December 31	
	2023	2022
<u>Notes receivable</u>		
From operating	\$ 5,031	\$ 9,743
Less: Allowance for impairment loss	( 127 )	( 127 )
	<u>\$ 4,904</u>	<u>\$ 9,616</u>
<u>Accounts receivable</u>		
At amortized cost	\$ 821,677	\$ 711,715
Less: Allowance for impairment loss	( 6,262 )	( 6,262 )
	<u>\$ 815,415</u>	<u>\$ 705,453</u>
<u>Doubtful receivable</u>		
At amortized cost	\$ 1,327	\$ 1,327
Less: Allowance for impairment loss	( 1,327 )	( 1,327 )
	<u>\$ -</u>	<u>\$ -</u>
<u>Other receivable</u>		
Tax refund receivable	\$ 27,895	\$ 25,551
Earned revenue receivable	13,352	12,434
Others	1,379	5,170
	<u>\$ 42,626</u>	<u>\$ 43,155</u>

a. Accounts receivable

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

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

The Company measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (ECLs). The ECLs on trade receivables are estimated using a provision matrix with reference to past default experiences of the customers and an analysis of the customers' current financial positions, as well as forward-looking indicators such as the industrial economic conditions. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision matrix does not distinguish customer segments. As a result, the expected credit loss rate is based on the number of past due days of trade receivables.

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

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

December 31, 2023

	<b>Not Past Due</b>	<b>Overdue</b>			<b>Total</b>
		<b>1 to 90 days</b>	<b>91 to 180 days</b>	<b>Over 180 days</b>	
Gross carrying amount	\$ 815,076	\$ 6,601	\$ -	\$ -	\$ 821,677
Loss allowance (Lifetime ECL)	-	( 6,262)	-	-	( 6,262)
Amortized cost	<u>\$ 815,076</u>	<u>\$ 339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 815,415</u>

December 31, 2022

	<b>Not Past Due</b>	<b>Overdue</b>			<b>Total</b>
		<b>1 to 90 days</b>	<b>91 to 180 days</b>	<b>Over 180 days</b>	
Gross carrying amount	\$ 703,813	\$ 2,253	\$ 5,649	\$ -	\$ 711,715
Loss allowance (Lifetime ECL)	-	( 613)	( 5,649)	-	( 6,262)
Amortized cost	<u>\$ 703,813</u>	<u>\$ 1,640</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 705,453</u>

Movements of allowance for accounts receivable were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	\$ 6,262	\$ 6,155
Reclassification	-	107
Ending balance	<u>\$ 6,262</u>	<u>\$ 6,262</u>

b. Doubtful receivable

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

Movements of allowance for doubtful receivable were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	\$ 1,327	\$ 1,434
Reclassification	<u>-</u>	<u>( 107)</u>
Ending balance	<u>\$ 1,327</u>	<u>\$ 1,327</u>

## 11. INVENTORIES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Raw materials	\$ 40,776	\$ 62,985
Work in process	456,662	495,956
Finished goods	<u>255,443</u>	<u>313,432</u>
	<u>\$ 752,881</u>	<u>\$ 872,373</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Cost of goods sold	\$ 2,082,811	\$ 2,508,531
Write-down of inventories	<u>23,026</u>	<u>4,079</u>
	<u>\$ 2,105,837</u>	<u>\$ 2,512,610</u>

## 12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Investment in subsidiaries	\$100,155	\$ 83,427
Credit balance of investments accounted for using equity method	<u>12,846</u>	<u>7,606</u>
	<u>\$113,001</u>	<u>\$ 91,033</u>

	<b>Percentage of Ownership</b>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Future Technology Consulting (B.V.I.), Inc. (Future)	100%	100%
Perfect Prime Limited (Perfect)	100%	100%
Green Power Semiconductor Co., Ltd. (GPS)	87.96%	87.96%
Fuhong Investment Co., Ltd. (Fuhong)	100%	100%

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

Fuhong was established in July 2021 to effectively utilize the Company's funds. The Company's investment amount is \$30,000 thousand, and the shareholding ratio is 100%. The Company increased the cash capital of Fuhong by a total of \$50,000 thousand in July and August 2022, and the shareholding ratio remained unchanged after the capital increase. The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2023 and 2022 were based on the subsidiaries' financial statements which have been audited for the same years.

### 13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Computer Communication Equipment	Office Equipment	Other Equipment	Total
<b>Cost</b>							
Balance, January 1, 2022	\$139,695	\$303,674	\$ 94,697	\$ 12,372	\$ 26,386	\$176,389	\$753,213
Additions	1,730	3,505	4,531	670	24,592	8,426	43,454
Disposals and retirements	-	-	( 8,588 )	( 5,478 )	( 10,496 )	( 17,102 )	( 41,664 )
Balance, December 31, 2022	<u>\$141,425</u>	<u>\$307,179</u>	<u>\$ 90,640</u>	<u>\$ 7,564</u>	<u>\$ 40,482</u>	<u>\$167,713</u>	<u>\$755,003</u>
<b>Accumulated depreciation and impairment</b>							
Balance, January 1, 2022	\$ -	\$ 42,396	\$ 82,030	\$ 11,258	\$ 12,201	\$170,583	\$318,468
Depreciation	-	6,140	3,272	633	3,321	6,678	20,044
Disposals and retirements	-	-	( 8,588 )	( 5,478 )	( 10,496 )	( 17,102 )	( 41,664 )
Balance, December 31, 2022	<u>\$ -</u>	<u>\$ 48,536</u>	<u>\$ 76,714</u>	<u>\$ 6,413</u>	<u>\$ 5,026</u>	<u>\$160,159</u>	<u>\$296,848</u>
Carrying amount, December 31, 2022	<u>\$141,425</u>	<u>\$258,643</u>	<u>\$ 13,926</u>	<u>\$ 1,151</u>	<u>\$ 35,456</u>	<u>\$ 7,554</u>	<u>\$458,155</u>
<b>Cost</b>							
Balance, January 1, 2023	\$141,425	\$307,179	\$ 90,640	\$ 7,564	\$ 40,482	\$167,713	\$755,003
Additions	1,218	2,467	5,851	2,456	260	19,485	31,737
Disposals and retirements	-	-	( 2,291 )	-	-	-	( 2,291 )
Balance, December 31, 2023	<u>\$142,643</u>	<u>\$309,646</u>	<u>\$ 94,200</u>	<u>\$ 10,020</u>	<u>\$ 40,742</u>	<u>\$187,198</u>	<u>\$784,449</u>
<b>Accumulated depreciation and impairment</b>							
Balance, January 1, 2023	\$ -	\$ 48,536	\$ 76,714	\$ 6,413	\$ 5,026	\$160,159	\$296,848
Depreciation	-	6,237	3,918	779	6,761	10,543	28,238
Disposals and retirements	-	-	( 2,291 )	-	-	-	( 2,291 )
Balance, December 31, 2023	<u>\$ -</u>	<u>\$ 54,773</u>	<u>\$ 78,341</u>	<u>\$ 7,192</u>	<u>\$ 11,787</u>	<u>\$170,702</u>	<u>\$322,795</u>
Carrying amount, December 31, 2023	<u>\$142,643</u>	<u>\$254,873</u>	<u>\$ 15,859</u>	<u>\$ 2,828</u>	<u>\$ 28,955</u>	<u>\$ 16,496</u>	<u>\$461,654</u>

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

Buildings	
Main buildings	50 years
Mechanical and electrical equipment	15 years
Machinery and Equipment	6 years
Computer Communication Equipment	3-7 years
Office Equipment	5 years
Other Equipment	2-5 years

Property, plant and equipment pledged as collateral for bank borrowings are provided in Note 26.

## 14. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Carrying amounts		
Transportation equipment	<u>\$ 8,319</u>	<u>\$ 7,196</u>
	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Additions to right-of-use assets	<u>\$ 5,797</u>	<u>\$ 7,732</u>
Depreciation of right-of-use assets		
Transportation equipment	<u>\$ 4,107</u>	<u>\$ 2,397</u>

### b. Lease liabilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Carrying amounts		
Current	<u>\$ 4,561</u>	<u>\$ 3,244</u>
Non-current	<u>\$ 3,746</u>	<u>\$ 3,954</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Transportation equipment	0.92%~2.02%	0.92%~1.03%

### c. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Expenses related to short-term leases	<u>\$ 412</u>	<u>\$ 355</u>
Expenses related to low-value asset leases	<u>\$ 133</u>	<u>\$ 100</u>
Total cash outflow for leases	<u>\$ 4,760</u>	<u>\$ 2,964</u>

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

## 15. OTHER ASSETS

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Non-current		
Refundable deposits	\$ 358,916	\$ 357,643
Long-term pre-payment for purchase	145,961	180,764
Pre-payment for equipment	<u>316</u>	<u>722</u>
	<u>\$ 505,193</u>	<u>\$ 539,129</u>

The Company signed capacity guarantee contracts with suppliers, and prepaid long-term payment to ensure stable capacity. To retain the capacity, the Company also provided US\$ 11,520 thousand deposit as capacity guarantee and will be refunded in accordance with the contract.

## 16. OTHER PAYABLES

	December 31	
	2023	2022
Payable for remunerations of employees and directors	\$ 61,671	\$ 172,694
Payable for salaries and rewards	39,419	35,496
Payables on equipment	5,805	5,383
Payable for professional fee	800	1,150
Others	22,060	29,342
	<u>\$ 129,755</u>	<u>\$ 244,065</u>

## 17. RETIREMENT BENEFIT PLANS

### Defined contribution plans

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

## 18. EQUITY

### a. Common stock

	December 31	
	2023	2022
Number of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>117,891</u>	<u>117,341</u>
Shares issued	<u>\$ 1,178,905</u>	<u>\$ 1,173,405</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 Company'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 general shareholders' meeting approved to issue 1,000,000 shares of restricted shares for employees with a par value of NT\$ 10 per share and grants made

free of charge. Upon the completion of the registration of this issuance with the FSC on May 20, 2022, the Company issued restricted shares for employees on October 13, 2022.

b. Capital surplus

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>May be used to offset a deficit, distributed as cash</u>		
<u>Dividends, or transferred to share capital (1)</u>		
Additional paid-in capital	\$ 2,807,058	\$ 2,780,784
Expired employee share option	68,367	68,367
Treasury stock transactions	12,728	12,728
<u>May be used to offset a deficit only</u>		
Unclaimed dividend	9	9
<u>May not be used for any purpose</u>		
Employee share option	23,249	25,758
Employee restricted shares	82,300	82,300
Change in percentage of ownership interest in subsidiaries (2)	<u>7,609</u>	<u>7,609</u>
	<u>\$ 3,001,320</u>	<u>\$ 2,977,555</u>

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

c. Retained earnings and dividend policy

In accordance with the policy, the Company's profits earned in a fiscal year shall be first utilized for paying taxes, offsetting losses of previous years, and setting aside as legal reserve 10% of the remaining profit pursuant to laws and regulations, unless the legal reserve has reached the Company's total paid-up capital. The remaining profits shall be set aside for special reserve in accordance with laws and regulations, or business requirements and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and after amendment, refer to Note 19(e) on employee benefits expense.

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

decided through the shareholders' meeting.

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

The appropriations of earnings for 2022 and 2021 which have been resolved in the shareholders' meeting on May 18, 2023 and April 13, 2022, respectively, were as follows:

	<b><u>Appropriation of Earnings</u></b>		<b><u>Dividends Per Share (\$)</u></b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Legal capital reserve	\$ 89,983	\$ 65,279		
Special capital reserve or (reversal)	50,052	( 26,239)		
Cash dividends to shareholders	586,702	488,043	\$ 5	\$ 6

The 2023 earnings distribution proposal stipulated on February 29, 2024 by the Company's Board of Directors was as follows:

	<b><u>Appropriation of Earnings</u></b>	<b><u>Dividends Per Share (\$)</u></b>
Legal capital reserve	\$ 33,043	
Reversal from special reserve	( 12,208)	
Cash dividends to shareholders	294,726	\$ 2.5

The Company's 2023 earnings appropriations will be proposed by the Board of Directors and approved in the shareholders' meeting on May 29, 2024.

## 19. NON-OPERATING INCOME AND EXPENSES

### a. Other gains and losses, net

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Gain on foreign exchange	\$ 6,790	\$ 175,406
Gain on financial instruments at fair value through profit or loss	1,514	-
Others	( 783)	( 1,016)
	<u>\$ 7,521</u>	<u>\$ 174,390</u>

### b. Finance costs

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Bank loans	\$ -	\$ 2,010
Lease liabilities	99	59
	<u>\$ 99</u>	<u>\$ 2,069</u>

### c. Depreciation and amortization

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Property, plant and equipment	\$ 28,238	\$ 20,044
Right-of-use assets	4,107	2,397
Intangible assets	4,786	3,712
	<u>\$ 37,131</u>	<u>\$ 26,153</u>

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Depreciation expense classified by function		
Operating cost	\$ 15,544	\$ 9,741
Operating expense	<u>16,801</u>	<u>12,700</u>
	<u>\$ 32,345</u>	<u>\$ 22,441</u>
Amortization expense classified by function		
Operating cost	\$ 272	\$ 288
Operating expense	<u>4,514</u>	<u>3,424</u>
	<u>\$ 4,786</u>	<u>\$ 3,712</u>
d. Employee benefits expenses		
	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Short-term employee benefits		
Salaries and rewards	\$237,307	\$334,533
Labor and health insurance	18,033	14,776
Others	3,913	4,146
Post-employment benefits (Note 17)		
Defined contribution plans	7,481	6,786
Share-based Payment	<u>55,558</u>	<u>25,117</u>
	<u>\$322,292</u>	<u>\$385,358</u>
Classified by function		
Operating cost	\$ 41,275	\$ 39,577
Operating expense	<u>281,017</u>	<u>345,781</u>
	<u>\$322,292</u>	<u>\$385,358</u>

e. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at rates of no less than 8% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2023 and 2022 were approved by the Board of Directors on February 29, 2024 and February 21, 2023, respectively, were as follows:

Estimated ratio

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Employees' compensation	12%	12%
Remuneration of directors	1.5%	1.5%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
	<b>Paid in Cash</b>	<b>Paid in Cash</b>
Employees' compensation	\$ 54,819	\$ 152,617
Remuneration of directors	6,852	19,077

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 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:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Current income tax expense		
Current period	\$ 67,540	\$ 192,449
Additional income tax on unappropriated earnings	8,655	3,970
Prior years' adjustment	( 960 )	( 370 )
	<u>75,235</u>	<u>196,049</u>
Deferred income tax expense		
Current period	( 10,511 )	4,235
Income tax expense recognized in profit or loss	<u>\$ 64,724</u>	<u>\$ 200,284</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Income before tax	<u>\$ 395,150</u>	<u>\$1,100,111</u>
Income tax expense at the statutory rate	\$ 79,030	\$ 220,022
Non-taxable income	( 1,687 )	( 6,391 )
Additional income tax on unappropriated earnings	8,655	3,970
Investment tax credits	( 20,314 )	( 16,947 )
Prior years' other adjustments	( 960 )	( 370 )
Income tax expense recognized in profit or loss	<u>\$ 64,724</u>	<u>\$ 200,284</u>

b. Deferred tax assets and liabilities

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

For the Year Ended December 31, 2023

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Closing Balance</u>
<u>Deferred tax assets</u>			
Loss on decline in market value and obsolete and slow-moving inventories	\$ 12,697	\$ 4,605	\$ 17,302
Losses on investments recognized adopting the equity method	19,551	1,050	20,601
Unrealized exchange losses	-	1,768	1,768
Loss on financial assets	<u>951</u>	<u>-</u>	<u>951</u>
	<u>\$ 33,199</u>	<u>\$ 7,423</u>	<u>\$ 40,622</u>
<u>Deferred tax liabilities</u>			
Unrealized exchange gains	\$ 3,391	(\$ 3,391)	\$ -
Unrealized gains on financial assets	<u>-</u>	<u>303</u>	<u>303</u>
	<u>\$ 3,391</u>	<u>(\$ 3,088)</u>	<u>\$ 303</u>

For the Year Ended December 31, 2022

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

c. Income tax examination

The income tax returns through 2021 have been examined and cleared by the tax authorities.

## 21. EARNINGS PER SHARE

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

Net profit for the current year

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Basic EPS and Diluted EPS		
Profit attributable to shareholders	<u>\$ 330,426</u>	<u>\$ 899,827</u>

Common Shares Outstanding (in thousands)

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Basic EPS		
Profit attributable to shareholders	116,850	101,957
Effect of potential dilutive common shares:		
Employees' compensation	750	1,623
Employee share option	956	1,205
Employee restricted shares	<u>605</u>	<u>47</u>
Diluted EPS		
Profit attributable to shareholders	<u>119,161</u>	<u>104,832</u>

Since the Company has the discretion to settle the employees' compensation by cash or stock, the Company should presume that the entire amount of the compensation will be settled in stock and the potential stock dilution should be included in the weighted-average number of stock outstanding used in the calculation of diluted EPS, provided there is a dilutive effect. Such dilutive effect of the potential stock needs to be included in the calculation of diluted EPS until employees' compensation is approved in the following year.

## 22. SHARE-BASED COMPENSATION EXPENSES

### a. Employee share option plan of the Company

The qualified employees of the Company were granted 2,000 options in March 2021 and May 2018, respectively. Each option entitles the holder to subscribe for 1,000 common shares of the Company's. The outstanding options are valid for 6 years and exercisable at 40%, 30% and 30% after two, three and four anniversaries from the grant date. The exercise price was based on the closing price at the grant date. After the option is issued, in case of variation to the common shares of the Company's, the exercise price will be adjusted according to the specified formula.

Information about employee share options was as follows:

	<b>For the Year Ended December 31</b>			
	<b>2023</b>	<b>Weighted-average exercise price</b>	<b>2022</b>	<b>Weighted-average exercise price</b>
	<b>No. of shares (In thousands)</b>		<b>No. of shares (In thousands)</b>	
Balance, beginning of Period	2,065	\$ 39.05	2,065	\$ 46.55
Options exercised	( 550 )	39.60	-	-
Options expired upon resignation	( 30 )	39.60	-	-
Balance, end of period	<u>1,485</u>	36.97	<u>2,065</u>	39.05
Options exercisable, end of period	<u>303</u>		<u>65</u>	

Information about outstanding options was as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Range of exercise price (\$)	\$21.10~\$37.70	\$22.10~\$39.60
Weighted-average remaining contractual life (years)	0.36~3.19	1.36~4.19

Compensation cost recognized was \$7,485 thousand and \$13,900 thousand for the years ended December 31, 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.

- 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 \$48,073 thousand and \$11,217 thousand for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023, the Company had recognized \$33,010 thousand as unearned employee compensation, which were recorded under other equity.

## **23. CAPITAL MANAGEMENT**

The Company 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 Company manages its capital for the sake of ensuring that necessary financial resources and operational plans are available to support required operating funds, capital expenditure, costs of research and development, pay-off of debts, and expenditure on dividends, among others, in the 12 months that follow.

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

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

## 24. FINANCIAL INSTRUMENTS

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

Except for the following, the management of the Company believes that the book value of financial assets and liabilities not at fair value does not show significant differences from the fair value.

December 31, 2023

		Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost					
— Foreign corporate bonds	\$181,549	\$185,597	\$ -	\$ -	\$185,597

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

- 1). Levels of fair value

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
— Mutual funds	\$ 115,609	\$ -	\$ -	\$ 115,609
— Structured deposits	-	200,905	-	200,905
total	\$ 115,609	\$ 200,905	\$ -	\$ 316,514
<u>Financial assets at FVTOCI</u>				
Equity instruments				
— Domestic listed shares	\$ 60,015	\$ 17,980	\$ -	\$ 77,995
— Domestic unlisted shares	-	-	9,312	9,312
	\$ 60,015	\$ 17,980	\$ 9,312	\$ 87,307

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Equity instruments				
— Domestic listed shares	\$ 58,478	\$ 26,313	\$ -	\$ 84,791
— Domestic unlisted shares	-	-	8,348	8,348
	\$ 58,478	\$ 26,313	\$ 8,348	\$ 93,139

There was no transfer between the fair value measurements of Levels 1 and 2 for the years ended December 31, 2023 and 2022.

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

Type of financial instrument	Valuation technique and input value
Domestic listed shares	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.
-private placement	
Structured deposits	Structured deposits were evaluated by the discounted cash flow method. Future cash flows are estimated based on the observable interest rate at the end of year, discounted at the market interest rate.

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

The significant and unobservable input parameter for assessing the unlisted stocks held by the Company mainly relates to liquidity discount rate. The evaluation of fair value of unlisted stocks is mainly referenced to the same type of companies or the listed companies through the market approach.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 316,514	\$ -
Financial assets measured at amortized cost (Note1)	3,956,701	4,368,089
Financial assets at FVTOCI -Equity instruments	87,307	93,139
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost (Note 2)	482,691	548,482

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

Note2: The balances comprise notes and accounts payable and other payables.

d. Purpose and policy of financial risk management

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

e. Financial risk management

1). Market risk

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

a). Foreign currency risk

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

For the book value of monetary assets and liabilities in non-functional currencies at the end of the reporting period, refer to Note 27.

Sensitivity analysis

The Company is mainly exposed to the USD and RMB.

The Company's sensitivity to a 5% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis

included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the year for a 5% change in foreign currency rates.

A positive number below indicates an increase/a decrease in pre-tax profit associated with the New Taiwan dollar strengthening 5% against the relevant currency. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative by \$79,547 thousand and \$80,934 thousand for the years ended December 31, 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:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Fair value interest rate risk		
Financial assets	\$ 2,578,222	\$2,678,702
Financial liabilities	8,307	7,198
Cash flow interest rate risk		
Financial assets	351,030	571,098

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. A 0.5% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2023 and 2022 would have decreased/increased by \$1,755 thousand and \$2,855 thousand, respectively, which was mainly a result of the changes on its variable-rate bank deposits.

c). Other price risk

The Company was exposed to equity price risk through its investments in Stocks and Mutual Funds. The Company manages this exposure by maintaining a portfolio of investments with different risks. All of investments are subject to the consent and approval of the Company's management.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the year.

If equity prices had been 5% higher/lower, pre-tax profit for the years ended December 31, 2023 would have increased/decreased by \$15,826 thousand, as a

result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the year ended December 31, 2023 and 2022 would have increased/decreased by \$4,365 thousand and \$4,657 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2). Credit risk

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

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

The Company has an enormous base of customers that is not inter-related and hence credit risk is not highly concentrated. The Company is not associated with major exposure to the credit risk versus any single counterparty or any group of counterparties with similar properties. When counterparties are affiliated with one another, the Company defines them as counterparties with similar properties.

3). Liquidity risk

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

a). Liquidity and interest risk rate table

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

December 31, 2023

	<b>Contractual Cash Flows or within a year</b>	<b>1-5 Years</b>	<b>More Than 5 Years</b>
<u>Non-derivative financial liabilities</u>			
Notes payable	\$ 290	\$ -	\$ -
Accounts payable	352,608	-	-
Other payables	129,755	-	-
Lease liabilities	<u>4,656</u>	<u>3,791</u>	<u>-</u>
	<u>\$ 487,309</u>	<u>\$ 3,791</u>	<u>\$ -</u>

December 31, 2022

	<b>Contractual Cash Flows or within a year</b>	<b>1-5 Years</b>	<b>More Than 5 Years</b>
<u>Non-derivative financial liabilities</u>			
Notes payable	\$ 3,853	\$ -	\$ -
Accounts payable	300,526	-	-
Other payables	244,065	-	-
Lease liabilities	<u>3,298</u>	<u>3,977</u>	<u>-</u>
	<u>\$ 551,742</u>	<u>\$ 3,977</u>	<u>\$ -</u>

b). Financing facilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Unsecured loans (Renew by every year)		
— Used amount	\$ -	\$ -
— Unused amount	<u>2,586,000</u>	<u>800,000</u>
	<u>\$2,586,000</u>	<u>\$ 800,000</u>
Secured loans		
— Used amount	\$ -	\$ -
— Unused amount	<u>714,000</u>	<u>180,000</u>
	<u>\$ 714,000</u>	<u>\$ 180,000</u>

## 25. RELATED PARTY TRANSACTIONS

The Company and related parties are disclosed below.

a. Related party name and nature of relationship

<u>Related Parties</u>	<u>Relationship with the Company</u>
Future Technology Consulting (B.V.I.), Inc. (Future)	Subsidiary
Perfect Prime Limited (Perfect)	Subsidiary
Shenzhen Fucheng Electronics Co., Ltd. (Fucheng)	Subsidiary
Green Power Semiconductor Co., Ltd. (GPS)	Subsidiary
OPC Microelectronics Co., Ltd. (OPC)	Subsidiary
Fuhong Investment Co., Ltd. (Fuhong)	Subsidiary

Related Parties	Relationship with the Company
XSemi Corporation	Investors with Significant Influence
Yageo Corporation	Substantive related party
Hon Young Semiconductor Co., Ltd.	Substantive related party

b. Sales of goods

Account	Related Party Categories	For the Year Ended December 31	
		2023	2022
Sales Revenue	Subsidiary	\$ 17,780	\$ 28,557
	Investors with significant influence	1,236	-
	Substantive related party	2,637	-
		<u>\$ 21,653</u>	<u>\$ 28,557</u>

c. Purchases of goods

Related Parties Categories	For the Year Ended December 31	
	2023	2022
Substantive related party	<u>\$ 2,497</u>	<u>\$ -</u>

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

Account	Related Party Categories	December 31	
		2023	2022
Accounts receivable	Subsidiary	\$ 4,005	\$ 2,306
	Substantive related party	2,358	-
		<u>\$ 6,363</u>	<u>\$ 2,306</u>
Other receivable	Investors with significant influence	<u>\$ -</u>	<u>\$ 48</u>

e. Payables from related parties

Account	Related Party Categories	December 31	
		2023	2022
Accounts payables	Substantive related party	<u>\$ 358</u>	<u>\$ -</u>
Other payable	Subsidiary	<u>\$ -</u>	<u>\$ 629</u>

f. Pre-payment for purchase to related parties

Related Parties Categories/Name	December 31	
	2023	2022
Subsidiary/OPC	<u>\$ 18,388</u>	<u>\$ 18,388</u>

g. Others

Account	Related Party Categories	For the Year Ended December 31	
		2023	2022
Rent income	Subsidiary	<u>\$ 236</u>	<u>\$ 235</u>
Other income	Investors with significant influence	<u>\$ 276</u>	<u>\$ 212</u>

<u>Account</u>	<u>Related Party Categories</u>	<u>For the Year Ended December 31</u>	
		<u>2023</u>	<u>2022</u>
Operating expenses	Subsidiary	\$ 10,073	\$ -
Operating expenses	Investors with significant influence	<u>150</u>	<u>-</u>
		<u>\$ 10,223</u>	<u>\$ -</u>

h. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 95,774	\$ 111,130
Post-employment benefits	<u>596</u>	<u>540</u>
	<u>\$ 96,370</u>	<u>\$ 111,670</u>

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

## 26. PLEDGED ASSETS

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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Pledged deposit certificate (Financial assets measured at amortized cost-Non-current)	\$ 2,000	\$ 2,000
Land	61,590	61,590
Buildings	<u>139,483</u>	<u>143,329</u>
	<u>\$203,073</u>	<u>\$ 206,919</u>

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

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

December 31, 2023

	<u>Foreign Currencies (In Thousands)</u>	<u>Exchange Rate</u>	<u>Carrying Amount (In Thousands)</u>
Foreign currency assets			
<u>Monetary items</u>			
USD	\$ 59,453	30.705(USD:NTD)	\$ 1,825,504
RMB	14,980	4.327(RMB:NTD)	<u>64,818</u>
			<u>\$ 1,890,322</u>

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	\$ 9,750	30.705(USD:NTD)	\$ <u>299,374</u>
<u>December 31, 2022</u>			
	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 59,710	30.710(USD:NTD)	\$ 1,833,694
RMB	12,989	4.408(RMB:NTD)	<u>57,256</u>
			<u>\$ 1,890,950</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	8,866	30.710(USD:NTD)	\$ <u>272,275</u>

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

<b>For the Year Ended December 31</b>				
	<b>2023</b>		<b>2022</b>	
<b>Foreign Currency</b>	<b>Exchange rate</b>	<b>Net exchange profits or losses</b>	<b>Exchange rate</b>	<b>Net exchange profits or losses</b>
USD	31.155 (USD:NTD)	\$ 7,930	29.805 (USD:NTD)	\$ 174,970
RMB	4.396 (RMB:NTD)	( 1,223)	4.422 (RMB:NTD)	<u>365</u>
		<u>\$ 6,707</u>		<u>\$ 175,335</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: Note 7.

- b. Information on investees: Table 2 (attached).
- c. Information on investment in Mainland China:
  - 1) The names of investees in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, net income or loss and recognized investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: Table 3 (attached).
  - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Table 4 (attached).
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
    - c) The amount of property transactions and the amount of the resultant gains or losses.
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- d. Information of major stockholders, the name, the number of stocks owned, and percentage of ownership of each stockholder with ownership of 5% or greater: Table 5 (attached).

**TABLE 1****Advanced Power Electronics Co., Ltd.****MARKETABLE SECURITIES HELD****FOR THE YEAR ENDED DECEMBER 31, 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	December 31, 2023				Note
				Shares/Units Note (In Thousands)	Carrying Value	Percentage of Ownership (%)	Fair Value	
APEC	<u>Stock</u> Advanced Microelectronic Products, Inc.	-	Financial assets at fair value through other comprehensive income –Non-Current	1,427	\$ 17,980	1	\$ 17,980	
	AXElite Co., Ltd.	-	Financial assets at fair value through other comprehensive income –Non-Current	398	9,312	5	9,312	
	Fubon Financials' Class A Preferred Shares	-	Financial assets at fair value through other comprehensive income –Non-Current	496	30,305	-	30,305	
	Fubon Financials' Class B Preferred Shares	-	Financial assets at fair value through other comprehensive income –Non-Current	496	29,710	-	29,710	
	<u>Mutual funds</u> Fubon Chi-Hsiang Money Market Fund	-	Financial assets at fair value through profit or loss – Non-Current	7,179	115,609	-	115,609	
	<u>Structured notes</u> President Securities PGN	-	Financial assets at fair value through profit or loss –Current	-	200,905	-	200,905	
	<u>Bonds</u> UBS Group	-	Financial assets at amortized cost–Non-Current	-	29,083	-	29,768	
	Mizuho Financial Group Inc.	-	Financial assets at amortized cost–Non-Current	-	30,515	-	30,951	
	HSBC Holdings PLC	-	Financial assets at amortized cost–Non-Current	-	30,226	-	30,958	
	Standard Chartered PLC	-	Financial assets at amortized cost–Non-Current	-	30,497	-	30,938	
	UBS Group	-	Financial assets at amortized cost–Non-Current	-	30,684	-	31,313	
	UBS Group AG	-	Financial assets at amortized cost–Non-Current	-	30,544	-	31,669	

(To be continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2023				Note
				Shares/Units Note (In Thousands)	Carrying Value	Percentage of Ownership (%)	Fair Value	
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	\$ 17,064	13	\$ 17,064	
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	31,681	-	31,618	
	Micro Silicon Electronics Corp.	-	Financial assets at fair value through profit or loss –Non-Current	915	47,004	1	47,004	
	<u>Mutual funds</u> Fubon Chi-Hsiang Money Market Fund		Financial assets at fair value through profit or loss – Non-Current	826	13,303	-	13,303	

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 2 and 3.

**TABLE 2**

**Advanced Power Electronics Co., Ltd.**

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 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 December 31, 2023			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 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	\$ 75,937	2,350	100	\$ 18,719	( \$ 827 )	( \$ 827 )	
	Perfect Prime Limited	Samoa	General investment	USD 2,350	USD 2,350						
				14,540	14,540	450	100	585	( 4,425 )	( 4,425 )	
				USD 450	USD 450						
	Green Power Semiconductor Co., Ltd.	Taiwan	Trading	100,000	100,000	1,715	87.96	( 12,846 )	( 6,315 )	( 5,555 )	
	Fuhong Investment Co., Ltd.	Taiwan	General investment	80,000	80,000	8,000	100	93,697	10,490	10,490	

**TABLE 3**

**Advanced Power Electronics Co., Ltd.**

INVESTMENTS IN MAINLAND CHINA  
 FOR THE YEAR ENDED DECEMBER 31, 2023  
 (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, 2023 (US\$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 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 December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 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	\$ 13,510  USD 440	(2)A	\$ 13,510  USD 440	\$ -	\$ -	\$ 13,502  USD 440	( \$ 4,391 )  (USD 141 )	100%	(\$ 4,391 )  (USD 141 )	\$ 460  USD 15	\$ -	
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	( 5,600 )	100%	( 5,600 )	( 19,970 )	-	

Accumulated Investment in Mainland China as of December 31, 2023 (US\$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on Investment (Note2)
\$ 77,276	\$ 77,276	\$ 3,187,607

Note 1: The investment types are as follows:  
 1). Direct investment in Mainland China.  
 2). Indirect investment in Mainland China through a subsidiary in a third place.  
     A. Reinvestment through Perfect Prime Limited  
 3). Reinvestment through Green Power Semiconductor Co., Ltd in Taiwan.

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

Note 3:The foreign currency assets and profits or losses listed herein are expressed, respectively, in New Taiwan Dollar at an end-of-term and mean exchange rates of US\$ 1=NT\$30.705 and US\$ 1=NT\$31.155 as of December 31, 2023.

**TABLE 4**

**Advanced Power Electronics Co., Ltd.**

**SIGNIFICANT INTERCOMPANY TRANSACTIONS AND RELATED INFORMATION ON INVESTEEES IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2023**

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

Investee Company	Type of transaction	Purchases (Sales)	Price	Transaction Term		Notes and accounts receivable (payable)		Unrealized profits and losses	Note
		Amount		Payment term	Compared to ordinary transactions	Amount	%		
OPC Microelectronics Co., Ltd.	Sales	(\$ 17,780)	Note1	EOM 60 days	Equivalent to	\$ 4,005	-	\$ -	

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

**TABLE 5**

**Advanced Power Electronics Co., Ltd.**  
**INFORMATION OF MAJOR STOCKHOLDERS**  
**DECEMBER 31, 2023**

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

**Advanced Power Electronics Co., Ltd.**



**Chairman : Tie-Min Chen**

