

Advanced Power Electronics Co.,
Ltd. and Subsidiaries

Consolidated Financial Statements for the
Six Months Ended June 30, 2024 and 2023
and Independent Auditors' Review Report

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INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Advanced Power Electronics Co., Ltd. and its subsidiaries (collectively, the “Group”) as of June 30, 2024 and 2023, the consolidated statements of comprehensive income for the three months and the six months ended June 30, 2024 and 2023, the consolidated statements of changes in equity and cash flows for the six months then ended, and the related notes to the consolidated financial statements, including material accounting policy information. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2024 and 2023, and of its consolidated financial performance for the three months ended June 30, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2024 and 2023 in accordance with the “Regulations Governing the Preparation of

Financial Reports by Securities Issuers” and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Wen-Chin Lin and Hsin-Wei Tai.

Deloitte & Touche
Taipei, Taiwan
Republic of China
July 30, 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 review such consolidated financial statements are those generally applied in the Republic of China.

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

ADVANCED POWER ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

	June 30, 2024		December 31, 2023		June 30, 2023	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and Cash Equivalents (Note 6)	\$ 653,936	10	\$ 771,099	13	\$ 350,625	6
Financial assets at fair value through profit or loss (Note 7)	200,916	3	200,905	3	-	-
Financial assets at amortized cost (Note 9)	2,512,848	41	1,788,555	30	2,960,236	47
Notes receivable (Note 10)	6,359	-	4,904	-	9,485	-
Accounts receivable (Notes 10 and 25)	727,105	12	817,773	14	819,525	13
Other receivables (Notes 10 and 25)	40,976	1	42,645	1	51,834	1
Current tax assets (Note 4)	1,791	-	1,794	-	2,318	-
Inventories (Note 11)	546,335	9	752,881	13	810,481	13
Other current assets	1,637	-	2,096	-	61,407	1
Total current assets	<u>4,691,903</u>	<u>76</u>	<u>4,382,652</u>	<u>74</u>	<u>5,065,911</u>	<u>81</u>
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss (Note 7)	173,997	3	160,593	3	32,056	1
Financial assets at fair value through other comprehensive income (Note 8)	137,709	2	151,375	2	145,190	2
Financial assets at amortized cost (Note 9)	193,738	3	183,549	3	2,000	-
Property, plant and equipment (Note 12)	452,017	8	461,687	8	460,314	7
Right-of-use assets (Note 13)	9,106	-	8,319	-	7,223	-
Other intangible assets, net	1,583	-	3,083	-	1,244	-
Deferred tax assets (Note 4)	45,938	1	40,622	1	40,952	1
Other non-current assets (Note 14)	432,223	7	505,593	9	509,052	8
Total non-current assets	<u>1,446,311</u>	<u>24</u>	<u>1,514,821</u>	<u>26</u>	<u>1,198,031</u>	<u>19</u>
TOTAL	<u>\$ 6,138,214</u>	<u>100</u>	<u>\$ 5,897,473</u>	<u>100</u>	<u>\$ 6,263,942</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Notes payable	\$ 44	-	\$ 290	-	\$ 25	-
Accounts payable (Note 25)	369,879	6	352,677	6	355,767	6
Other payables (Note 16)	429,757	7	132,494	2	765,589	12
Current tax liabilities (Note 4)	45,172	1	70,122	1	40,345	1
Lease liabilities (Note 13)	5,301	-	4,561	-	3,847	-
Other current liabilities	19,849	-	22,359	1	7,063	-
Total current liabilities	<u>870,002</u>	<u>14</u>	<u>582,503</u>	<u>10</u>	<u>1,172,636</u>	<u>19</u>
NON-CURRENT LIABILITIES						
Deferred tax liabilities (Note 4)	10,533	-	303	-	12,161	-
Lease liabilities (Note 13)	3,785	-	3,746	-	3,371	-
Total non-current liabilities	<u>14,318</u>	<u>-</u>	<u>4,049</u>	<u>-</u>	<u>15,532</u>	<u>-</u>
Total liabilities	<u>884,320</u>	<u>14</u>	<u>586,552</u>	<u>10</u>	<u>1,188,168</u>	<u>19</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 18)						
Common stock	<u>1,184,432</u>	<u>19</u>	<u>1,178,905</u>	<u>20</u>	<u>1,178,905</u>	<u>19</u>
Capital surplus	<u>3,005,066</u>	<u>49</u>	<u>3,001,320</u>	<u>51</u>	<u>2,998,063</u>	<u>48</u>
Retained earnings						
Legal reserve	268,153	4	235,110	4	235,110	4
Special reserve	63,566	1	75,774	1	75,774	1
Unappropriated earnings	824,572	14	918,146	16	714,317	11
Total retained earnings	<u>1,156,291</u>	<u>19</u>	<u>1,229,030</u>	<u>21</u>	<u>1,025,201</u>	<u>16</u>
Other equity interests	(90,331)	(1)	(96,576)	(2)	(124,688)	(2)
Total equity attributable to owners of the parent	<u>5,255,458</u>	<u>86</u>	<u>5,312,679</u>	<u>90</u>	<u>5,077,481</u>	<u>81</u>
NON-CONTROLLING INTERESTS	(1,564)	-	(1,758)	-	(1,707)	-
Total equity	<u>5,253,894</u>	<u>86</u>	<u>5,310,921</u>	<u>90</u>	<u>5,075,774</u>	<u>81</u>
TOTAL	<u>\$ 6,138,214</u>	<u>100</u>	<u>\$ 5,897,473</u>	<u>100</u>	<u>\$ 6,263,942</u>	<u>100</u>

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

ADVANCED POWER ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 25)	\$ 733,811	100	\$ 718,793	100	\$ 1,323,557	100	\$ 1,374,309	100
OPERATING COSTS (Notes 11,19 and 25)	<u>529,116</u>	<u>72</u>	<u>559,807</u>	<u>78</u>	<u>1,011,575</u>	<u>76</u>	<u>1,042,671</u>	<u>76</u>
GROSS PROFIT FROM OPERATIONS	<u>204,695</u>	<u>28</u>	<u>158,986</u>	<u>22</u>	<u>311,982</u>	<u>24</u>	<u>331,638</u>	<u>24</u>
OPERATING EXPENSES (Notes 19 and 25)								
Selling and marketing expenses	20,539	3	23,837	3	40,365	3	46,236	3
General and administrative expenses	31,180	4	48,478	7	61,956	5	94,527	7
Research and development expenses	<u>32,096</u>	<u>4</u>	<u>36,006</u>	<u>5</u>	<u>63,145</u>	<u>5</u>	<u>73,779</u>	<u>6</u>
Total operating expenses	<u>83,815</u>	<u>11</u>	<u>108,321</u>	<u>15</u>	<u>165,466</u>	<u>13</u>	<u>214,542</u>	<u>16</u>
PROFIT FROM OPERATIONS	<u>120,880</u>	<u>17</u>	<u>50,665</u>	<u>7</u>	<u>146,516</u>	<u>11</u>	<u>117,096</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	15,740	2	17,357	2	33,324	3	33,215	3
Other income (Note 25)	632	-	616	-	1,038	-	1,565	-
Other gains and losses, net (Note 19)	30,599	4	29,474	4	93,996	7	17,898	1
Finance costs (Note 19)	(<u>34</u>)	-	(<u>22</u>)	-	(<u>64</u>)	-	(<u>38</u>)	-
Total non-operating income and expenses	<u>46,937</u>	<u>6</u>	<u>47,425</u>	<u>6</u>	<u>128,294</u>	<u>10</u>	<u>52,640</u>	<u>4</u>
PROFIT BEFORE INCOME TAX	167,817	23	98,090	13	274,810	21	169,736	12
INCOME TAX EXPENSE (Notes 4 and 20)	<u>32,067</u>	<u>5</u>	<u>29,413</u>	<u>4</u>	<u>52,565</u>	<u>4</u>	<u>43,876</u>	<u>3</u>
NET PROFIT	<u>135,750</u>	<u>18</u>	<u>68,677</u>	<u>9</u>	<u>222,245</u>	<u>17</u>	<u>125,860</u>	<u>9</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	(3,588)	-	(3,409)	-	(14,636)	(1)	4,484	1
Items that may be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of foreign operations	<u>119</u>	-	<u>1,043</u>	-	<u>564</u>	-	<u>835</u>	-
Other comprehensive income (loss) (after tax)	(<u>3,469</u>)	-	(<u>2,366</u>)	-	(<u>14,072</u>)	(<u>1</u>)	<u>5,319</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 132,281</u>	<u>18</u>	<u>\$ 66,311</u>	<u>9</u>	<u>\$ 208,173</u>	<u>16</u>	<u>\$ 131,179</u>	<u>10</u>
NET PROFIT/(LOSS) ATTRIBUTABLE TO:								
Owners of the parent	\$ 135,636	18	\$ 69,136	9	\$ 221,987	17	\$ 126,597	9
Non-controlling interests	<u>114</u>	-	(<u>459</u>)	-	<u>258</u>	-	(<u>737</u>)	-
	<u>\$ 135,750</u>	<u>18</u>	<u>\$ 68,677</u>	<u>9</u>	<u>\$ 222,245</u>	<u>17</u>	<u>\$ 125,860</u>	<u>9</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the parent	\$ 132,187	18	\$ 66,690	9	\$ 207,979	16	\$ 131,845	10
Non-controlling interests	<u>94</u>	-	(<u>379</u>)	-	<u>194</u>	-	(<u>666</u>)	-
	<u>\$ 132,281</u>	<u>18</u>	<u>\$ 66,311</u>	<u>9</u>	<u>\$ 208,173</u>	<u>16</u>	<u>\$ 131,179</u>	<u>10</u>
EARNINGS PER SHARE (Note 21)								
Basic earnings per share	<u>\$ 1.15</u>		<u>\$ 0.59</u>		<u>\$ 1.89</u>		<u>\$ 1.08</u>	
Diluted earnings per share	<u>\$ 1.14</u>		<u>\$ 0.58</u>		<u>\$ 1.87</u>		<u>\$ 1.07</u>	

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

ADVANCED POWER ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(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, 2023	\$ 1,173,405	\$ 2,977,555	\$ 145,127	\$ 25,722	\$ 1,314,457	\$ 1,485,306	(\$ 4,473)	(\$ 71,301)	(\$ 81,083)	(\$ 156,857)	\$ 5,479,409	(\$ 1,041)	\$ 5,478,368
Distribution of 2022 earnings													
Legal reserve	-	-	89,983	-	(89,983)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	50,052	(50,052)	-	-	-	-	-	-	-	-
Cash dividends -NT\$ 5.0 per share	-	-	-	-	(586,702)	(586,702)	-	-	-	-	(586,702)	-	(586,702)
Profit (Loss) for the six months ended June 30, 2023	-	-	-	-	126,597	126,597	-	-	-	-	126,597	(737)	125,860
Other comprehensive income (loss) for the six months ended June 30, 2023	-	-	-	-	-	-	764	4,484	-	5,248	5,248	71	5,319
Total comprehensive income (loss) for the six months ended June 30, 2023	-	-	-	-	126,597	126,597	764	4,484	-	5,248	131,845	(666)	131,179
Employee share options issued by the Company	5,500	16,280	-	-	-	-	-	-	-	-	21,780	-	21,780
Compensation cost of employee share options	-	4,228	-	-	-	-	-	-	-	-	4,228	-	4,228
Compensation cost of employee restricted shares	-	-	-	-	-	-	-	-	26,921	26,921	26,921	-	26,921
BALANCE, JUNE 30, 2023	<u>\$ 1,178,905</u>	<u>\$ 2,998,063</u>	<u>\$ 235,110</u>	<u>\$ 75,774</u>	<u>\$ 714,317</u>	<u>\$ 1,025,201</u>	(<u>\$ 3,709</u>)	(<u>\$ 66,817</u>)	(<u>\$ 54,162</u>)	(<u>\$ 124,688</u>)	<u>\$ 5,077,481</u>	(<u>\$ 1,707</u>)	<u>\$ 5,075,774</u>
BALANCE, JANUARY 1, 2024	\$ 1,178,905	\$ 3,001,320	\$ 235,110	\$ 75,774	\$ 918,146	\$ 1,229,030	(\$ 4,169)	(\$ 59,397)	(\$ 33,010)	(\$ 96,576)	\$ 5,312,679	(\$ 1,758)	\$ 5,310,921
Distribution of 2023 earnings													
Legal reserve	-	-	33,043	-	(33,043)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(12,208)	12,208	-	-	-	-	-	-	-	-
Cash dividends -NT\$ 2.5 per share	-	-	-	-	(294,726)	(294,726)	-	-	-	-	(294,726)	-	(294,726)
Exercise of disgorgement of short-swing profits	-	1,444	-	-	-	-	-	-	-	-	1,444	-	1,444
Profit (Loss) for the six months ended June 30, 2024	-	-	-	-	221,987	221,987	-	-	-	-	221,987	258	222,245
Other comprehensive income (loss) for the six months ended June 30, 2024	-	-	-	-	-	-	628	(14,636)	-	(14,008)	(14,008)	(64)	(14,072)
Total comprehensive income (loss) for the six months ended June 30, 2024	-	-	-	-	221,987	221,987	628	(14,636)	-	(14,008)	207,979	194	208,173
Employee share options issued by the Company	8,047	22,291	-	-	-	-	-	-	-	-	30,338	-	30,338
Compensation cost of employee share options	-	751	-	-	-	-	-	-	-	-	751	-	751
Compensation cost of employee restricted shares	-	-	-	-	-	-	-	-	(3,007)	(3,007)	(3,007)	-	(3,007)
Cancellation of employee restricted shares	(2,520)	(20,740)	-	-	-	-	-	-	23,260	23,260	-	-	-
BALANCE, JUNE 30, 2024	<u>\$ 1,184,432</u>	<u>\$ 3,005,066</u>	<u>\$ 268,153</u>	<u>\$ 63,566</u>	<u>\$ 824,572</u>	<u>\$ 1,156,291</u>	(<u>\$ 3,541</u>)	(<u>\$ 74,033</u>)	(<u>\$ 12,757</u>)	(<u>\$ 90,331</u>)	<u>\$ 5,255,458</u>	(<u>\$ 1,564</u>)	<u>\$ 5,253,894</u>

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

ADVANCED POWER ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 274,810	\$ 169,736
Adjustments for:		
Depreciation expense	19,020	14,678
Amortization expense	2,628	2,180
Net (gain)/loss on financial instruments at fair value through profit or loss	(14,924)	52
Finance costs	64	38
Interest income	(33,324)	(33,215)
Compensation costs of employee share options	(2,256)	31,149
Loss on decline in market value and obsolete and slow-moving inventories	36,500	34,312
Unrealized gain on foreign currency exchange	(79,728)	(29,111)
Lease modification gain	(4)	-
Changes in operating assets and liabilities:		
Notes receivable	(1,455)	131
Accounts receivable	134,167	(102,365)
Other receivables	3,647	(4,698)
Inventories	170,046	27,858
Other current assets	905	(8,404)
Notes payable	(246)	(3,828)
Accounts payable	433	50,726
Other payables	5,492	(65,776)
Other current liabilities	(2,510)	(3,215)
Net cash inflows generated from operating activities	513,265	80,248
Interest received	31,221	29,420
Interest paid	(64)	(38)
Income taxes paid	(72,598)	(127,775)
Net cash generated from / (used in) operating activities	<u>471,824</u>	<u>(18,145)</u>

(Continued)

ADVANCED POWER ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(\$2,256,341)	(\$2,435,609)
Proceeds from sale of financial assets at amortized cost	1,538,402	2,087,208
Purchase of financial assets at fair value through profit or loss	(200,000)	(8,000)
Proceeds from sale of financial assets at fair value through profit or loss	201,509	-
Acquisition of property, plant and equipment	(9,113)	(15,697)
(Increase)/decrease in refundable deposits	91,129	(631)
Payments for intangible assets	(1,764)	(433)
Decrease in other non-current assets	-	35,335
Net cash used in investing activities	(<u>636,178</u>)	(<u>337,827</u>)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	(2,357)	(1,763)
Proceeds from exercise of employee share options	30,338	21,780
Proceeds from exercise of disgorgement of short-swing profits	<u>1,444</u>	<u>-</u>
Net cash generated from financing activities	<u>29,425</u>	<u>20,017</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	<u>17,766</u>	<u>1,741</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(117,163)	(334,214)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>771,099</u>	<u>684,839</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>\$ 653,936</u></u>	<u><u>\$ 350,625</u></u>

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

(Concluded)

ADVANCED POWER ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

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

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

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

2. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the consolidated financial statements on July 30, 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 2025.

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note1)

Note1: 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.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
IFRS Accounting Standards “Annual Improvements- Volume 11”	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”	January 1, 2026
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
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
IFRS 19 “Subsidiaries without Public Accountability: Disclosures”	January 1, 2027

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

IFRS 18 “Presentation and Disclosures in Financial Statements”

IFRS 18 will supersede IAS 1” Presentation of Financial Statements”. The main changes comprise:

- Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discounted operations categories.
- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- Provides guidance to enhance the requirements of aggregation and disaggregation: The Group shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Group shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Group labels items as ‘other’ only if it cannot find a more informative label.
- Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management’s view of an aspect of the financial performance of the Group as a whole, the Group shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 Interim Financial Reporting endorsed and issued into effect by the FSC. The consolidated financial statements do not include all the information which should be disclosed in the annual consolidated financial statements in accordance with the IFRSs endorsed and issued into effect by the FSC.

Basis of Preparation

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

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

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

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

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

Basis of Consolidation

All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. Financial statements of subsidiaries are adequately adjusted to align their accounting policies with those of the Group transactions and balances, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. The comprehensive income from subsidiaries is allocated to APEC and its non-controlling interests, even if the non-controlling interests have a deficit balance.

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

Other significant accounting policies

Except for the following description, the significant accounting policies adopted for the consolidated financial statements are the same as those adopted for the consolidated financial statements for the year ended December 31, 2022.

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.

Income Tax

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

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

The 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. The same critical accounting judgments and key sources of estimation uncertainty have been followed when preparing these interim consolidated financial statements as those that were applied in the preparation of the consolidated financial statements for the year ended December 31, 2023.

6. CASH AND CASH EQUIVALENTS

	June 30, 2024	December 31, 2023	June 30, 2023
Cash on hand and revolving funds	\$ 132	\$ 132	\$ 131
Bank check and demand deposit	269,245	160,429	163,566
Cash equivalents (investments with the original expiration date within 3 months)			
Time deposits	277,559	481,141	-
Repurchase agreements collateralized by bonds	<u>107,000</u>	<u>129,397</u>	<u>186,928</u>
	<u>\$ 653,936</u>	<u>\$ 771,099</u>	<u>\$ 350,625</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2024	December 31, 2023	June 30, 2023
Current			
Structured deposits	<u>\$ 200,916</u>	<u>\$ 200,905</u>	<u>\$ -</u>
Non-current			
Domestic listed shares (emerging market shares)	\$ 44,235	\$ 31,681	\$ 24,025
Mutual Fund	<u>129,762</u>	<u>128,912</u>	<u>8,031</u>
	<u>\$ 173,997</u>	<u>\$ 160,593</u>	<u>\$ 32,056</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

	June 30, 2024	December 31, 2023	June 30, 2023
Non-current			
Domestic listed shares	\$ 60,660	\$ 60,015	\$ 60,462
Domestic listed shares - private placement	14,384	17,980	25,171
Domestic listed shares (emerging market shares)	35,319	47,004	34,011
Domestic unlisted shares	9,312	9,312	8,348
Foreign unlisted shares	<u>18,034</u>	<u>17,064</u>	<u>17,198</u>
	<u>\$ 137,709</u>	<u>\$ 151,375</u>	<u>\$ 145,190</u>

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	June 30, 2024	December 31, 2023	June 30, 2023
Current			
Investments with the original expiration date over 3 months			
Time deposits	\$2,512,848	\$1,788,555	\$2,866,816
Repurchase agreements collateralized by bonds	<u>-</u>	<u>-</u>	<u>93,420</u>
	<u>\$2,512,848</u>	<u>\$1,788,555</u>	<u>\$2,960,236</u>

	June 30, 2024	December 31, 2023	June 30, 2023
Non-current			
Corporate bonds (a)	\$ 191,738	\$ 181,549	\$ -
Pledged deposit certificate (b)	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
	<u>\$ 193,738</u>	<u>\$ 183,549</u>	<u>\$ 2,000</u>

a. 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.

b. Further details regarding pledged assets are provided in note 26.

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

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Notes receivable</u>			
From operating	\$ 6,486	\$ 5,031	\$ 9,612
Less: Allowance for impairment loss	(<u>127</u>)	(<u>127</u>)	(<u>127</u>)
	<u>\$ 6,359</u>	<u>\$ 4,904</u>	<u>\$ 9,485</u>
<u>Accounts receivable</u>			
At amortized cost	\$ 734,643	\$ 825,278	\$ 827,016
Less: Allowance for impairment loss	(<u>7,538</u>)	(<u>7,505</u>)	(<u>7,491</u>)
	<u>\$ 727,105</u>	<u>\$ 817,773</u>	<u>\$ 819,525</u>
<u>Doubtful receivable</u>			
At amortized cost	\$ 1,327	\$ 1,327	\$ 1,327
Less: Allowance for impairment loss	(<u>1,327</u>)	(<u>1,327</u>)	(<u>1,327</u>)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Other receivable</u>			
Tax refund receivable	\$ 25,501	\$ 27,895	\$ 28,266
Earned revenue receivable	15,475	13,371	22,508
Others	<u>-</u>	<u>1,379</u>	<u>1,060</u>
	<u>\$ 40,976</u>	<u>\$ 42,645</u>	<u>\$ 51,834</u>

a. Accounts receivable

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

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (ECLs). The ECLs on trade receivables are estimated using a provision matrix with reference to past default experiences of the customers and an analysis of the customers' current financial positions, as well as forward-looking indicators such as the industrial economic conditions. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision matrix does not distinguish customer segments. As a result, the expected credit loss rate is based on the number of past due days of trade receivables.

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

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

June 30, 2024

	Not Past Due	Overdue			Total
		1 to 90 days	91 to 180 days	Over 180 days	
Gross carrying amount	\$ 718,822	\$ 14,545	\$ -	\$ 1,276	\$ 734,643
Loss allowance (Lifetime ECL)	-	(6,262)	-	(1,276)	(7,538)
Amortized cost	<u>\$ 718,822</u>	<u>\$ 8,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 727,105</u>

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>

June 30, 2023

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

Movements of allowance for accounts receivable were as follows:

	For the Six Months Ended June 30	
	2024	2023
Beginning balance	\$ 7,505	\$ 7,528
Effect of exchange rate changes	<u>33</u>	<u>(37)</u>
Ending balance	<u>\$ 7,538</u>	<u>\$ 7,491</u>

b. Doubtful receivable

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

Movements of allowance for doubtful receivable were as follows:

	For the Six Months Ended June 30	
	2024	2023
Beginning balance	<u>\$ 1,327</u>	<u>\$ 1,327</u>
Ending balance	<u>\$ 1,327</u>	<u>\$ 1,327</u>

11. INVENTORIES

	June 30, 2024	December 31, 2023	June 30, 2023
Raw materials	\$ 29,501	\$ 40,776	\$ 46,375
Work in process	337,084	456,662	491,668
Finished goods	<u>179,750</u>	<u>255,443</u>	<u>272,438</u>
	<u>\$ 546,335</u>	<u>\$ 752,881</u>	<u>\$ 810,481</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Cost of goods sold	\$ 529,116	\$ 532,441	\$ 975,075	\$ 1,008,359
Write-down of inventories	<u>-</u>	<u>27,366</u>	<u>36,500</u>	<u>34,312</u>
	<u>\$ 529,116</u>	<u>\$ 559,807</u>	<u>\$ 1,011,575</u>	<u>\$ 1,042,671</u>

12. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2024	December 31, 2023	June 30, 2023
Land	\$ 142,643	\$ 142,643	\$ 142,643
Buildings	251,752	254,873	257,993
Machinery and Equipment	15,130	15,892	14,315
Computer Communication Equipment	2,331	2,828	895
Office Equipment	25,560	28,955	32,083
Other equipment	<u>14,601</u>	<u>16,496</u>	<u>12,385</u>
	<u>\$ 452,017</u>	<u>\$ 461,687</u>	<u>\$ 460,314</u>

Except for the recognized depreciation, the Group did not have significant additions or disposals or impairment of property, plant and equipment during the six months ended June 30, 2024 and 2023.

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

Buildings	
Primary buildings	50 years
Mechanical and electrical equipment	15 years
Machinery and Equipment	3-6 years
Computer Communication Equipment	3 years
Office Equipment	5 years
Other Equipment	2-6 years

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

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2024	December 31, 2023	June 30, 2023
Carrying amounts			
Transportation equipment	<u>\$ 9,106</u>	<u>\$ 8,319</u>	<u>\$ 7,223</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Additions to right-of-use assets			<u>\$ 3,566</u>	<u>\$ 1,783</u>
Depreciation of right-of-use assets-				
Transportation equipment	<u>\$ 1,208</u>	<u>\$ 952</u>	<u>\$ 2,353</u>	<u>\$ 1,756</u>

Except for the recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the six months ended June 30, 2024 and 2023.

b. Lease liabilities

	June 30, 2024	December 31, 2023	June 30, 2023
Carrying amounts			
Current	\$ 5,301	\$ 4,561	\$ 3,847
Non-current	\$ 3,785	\$ 3,746	\$ 3,371

Range of discount rate for lease liabilities were as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Transportation equipment	0.98%~2.02%	0.92%~2.02%	0.92%~1.73%

c. Other lease information

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Expenses related to short-term leases	\$ 543	\$ 597	\$ 1,173	\$ 1,147
Expenses related to low-value asset leases	\$ 34	\$ 40	\$ 67	\$ 67
Total cash outflow for leases			\$ 3,661	\$ 3,015

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

14. OTHER ASSETS

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Non-current</u>			
Refundable deposits	\$ 286,708	\$ 359,316	\$ 363,623
Long-term pre-payment for purchase	145,515	145,961	145,429
Pre-payment for equipment	-	316	-
	<u>\$ 432,223</u>	<u>\$ 505,593</u>	<u>\$ 509,052</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. As of June 30, 2024, US\$2,880 thousand has been returned.

15. SUBSIDIARY

a. The subsidiaries included in the consolidated financial statement:

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

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Remark
			June 30, 2024	December 31, 2023	June 30, 2023	
APEC	Future Technology Consulting (B.V.I.), Inc. (Future)	Investment	100%	100%	100%	Note
APEC	Perfect Prime Limited (Perfect)	Investment	100%	100%	100%	Note

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Remark
			June 30, 2024	December 31, 2023	June 30, 2023	
APEC	Green Power Semiconductor Co., Ltd. (GPS)	Trading	87.96%	87.96%	87.96%	Note
APEC	Fuhong Investment Co., Ltd. (Fuhong)	Investment	100%	100%	100%	Note
Perfect	Shenzhen Fucheng Electronics Co., Ltd. (Fucheng)	Trading	100%	100%	100%	Note
GPS	OPC Microelectronics Co., Ltd. (OPC)	Manufacturing	100%	100%	100%	Note

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

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

16. OTHER PAYABLES

	June 30, 2024	December 31, 2023	June 30, 2023
Dividend payable	\$ 295,589	\$ 863	\$ 587,533
Payable for remunerations of employees and directors	85,546	61,671	128,157
Payable for salaries and rewards	23,865	41,460	26,361
Payables on equipment	3,373	5,805	3,947
Payable for professional fee	666	1,093	884
Others	<u>20,718</u>	<u>21,602</u>	<u>18,707</u>
	<u>\$ 429,757</u>	<u>\$ 132,494</u>	<u>\$ 765,589</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

	June 30, 2024	December 31, 2023	June 30, 2023
Number of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>118,443</u>	<u>117,891</u>	<u>117,891</u>
Shares issued	<u>\$ 1,184,432</u>	<u>\$ 1,178,905</u>	<u>\$ 1,178,905</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 the exercise of employee share options and cancel of the employee restricted shares.

The 252,000 shares of unvested employee restricted shares in the second quarter of 2024 canceled by the board of directors of the Company on July 2, 2024. As of June 30, 2024, the registration has not been completed.

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.

b. Capital surplus

	June 30, 2024	December 31, 2023	June 30, 2023
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Additional paid-in capital	\$2,844,258	\$2,807,058	\$2,807,058
Expired employee share option	68,972	68,367	68,367
Treasury stock transactions	12,728	12,728	12,728
<u>May be used to offset a deficit only</u>			
Unclaimed dividend	9	9	9
<u>May not be used for any purpose</u>			
Employee share option	\$ 8,486	\$ 23,249	\$ 19,992
Employee restricted shares	61,560	82,300	82,300
Change in percentage of ownership interest in subsidiaries (2)	7,609	7,609	7,609
Disgorgement of short-swing profits	1,444	-	-
	<u>\$3,005,066</u>	<u>\$3,001,320</u>	<u>\$2,998,063</u>

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

c. Retained earnings and dividend policy

In accordance with the policy, APEC's profits earned in a fiscal year shall be first utilized for paying taxes, offsetting losses of previous years, and setting aside as legal reserve 10% of the remaining profit pursuant to laws and regulations, unless the legal reserve has reached APEC's total paid-up capital. The remaining profits shall be set aside for special reserve in accordance with laws and regulations, or business requirements and then any remaining profit together with any undistributed retained earnings shall be used by the APEC's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and after amendment, refer to Note 19(e) on employee benefits expense.

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

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

The appropriations of earnings for 2023 and 2022 which have been resolved in the shareholders' meeting on May 29, 2024 and May 18, 2023, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (\$)	
	2023	2022	2023	2022
Legal capital reserve	\$ 33,043	\$ 89,983		
Special capital reserve (reversal)	(12,208)	50,052		
Cash dividends to shareholders	294,726	586,702	\$ 2.5	\$ 5

19. NON-OPERATING INCOME AND EXPENSES

a. Other gains and losses, net

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Gain on foreign exchange	\$ 18,080	\$ 31,132	\$ 79,809	\$ 18,481
Gain/(Loss) on financial instruments at fair value through profit or loss	12,959	(1,226)	14,924	(52)
Others	(440)	(432)	(737)	(531)
	<u>\$ 30,599</u>	<u>\$ 29,474</u>	<u>\$ 93,996</u>	<u>\$ 17,898</u>

b. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Lease liabilities	\$ 34	\$ 22	\$ 64	\$ 38

c. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Property, plant and equipment	\$ 8,361	\$ 6,612	\$ 16,667	\$ 12,922
Right-of-use assets	1,208	952	2,353	1,756
Intangible assets	1,319	1,087	2,628	2,180
	<u>\$ 10,888</u>	<u>\$ 8,651</u>	<u>\$ 21,648</u>	<u>\$ 16,858</u>
Depreciation expense classified by function				
Operating cost	\$ 5,146	\$ 3,539	\$ 10,226	\$ 6,808
Operating expense	4,423	4,025	8,794	7,870
	<u>\$ 9,569</u>	<u>\$ 7,564</u>	<u>\$ 19,020</u>	<u>\$ 14,678</u>
Amortization expense classified by function				
Operating cost	\$ 44	\$ 54	\$ 88	\$ 107
Operating expense	1,275	1,033	2,540	2,073
	<u>\$ 1,319</u>	<u>\$ 1,087</u>	<u>\$ 2,628</u>	<u>\$ 2,180</u>

d. Employee benefits expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Short-term employee benefits	\$ 62,204	\$ 68,006	\$ 124,193	\$ 129,763
Post-employment benefits				
Defined contribution plans	1,859	1,853	3,822	3,588
Share-based Payment	(2,380)	15,090	(2,256)	31,149
Other employee benefits	1,202	1,186	2,422	2,236
	<u>\$ 62,885</u>	<u>\$ 86,135</u>	<u>\$ 128,181</u>	<u>\$ 166,736</u>
Classified by function				
Operating cost	\$ 9,973	\$ 10,576	\$ 20,531	\$ 20,342
Operating expense	52,912	75,559	107,650	146,394
	<u>\$ 62,885</u>	<u>\$ 86,135</u>	<u>\$ 128,181</u>	<u>\$ 166,736</u>

e. Employees' compensation and remuneration of directors

The APEC accrued employees' compensation and remuneration of directors at rates of no less than 5% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, respectively, were as follows:

Estimated ratio

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Employees' compensation	5%	12%	5%	12%
Remuneration of directors	3%	1.5%	3%	1.5%

Amount

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Employees' compensation	\$ 9,114	\$ 13,671	\$ 14,921	\$ 23,649
Remuneration of directors	\$ 5,469	\$ 1,709	\$ 8,953	\$ 2,956

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

The employees' compensation and remuneration of directors of 2023 and 2022 approved by the Board of Directors on February 29, 2024 and February 21, 2023, respectively, were as follows:

Amount

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

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. The actual amounts of employees' compensation and remuneration of directors have not paid for the years ended December 31, 2023.

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

20. INCOME TAX

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

Components of tax expense Income tax were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Current income tax expense				
Current period	\$ 31,001	\$ 19,326	\$ 47,113	\$ 33,980
Additional income tax on unappropriated earnings	743	8,655	743	8,655
Prior years' adjustment	(205)	224	(205)	224
Deferred income tax expense				
Current period	528	1,208	4,914	1,017
Income tax expense recognized in profit or loss	\$ 32,067	\$ 29,413	\$ 52,565	\$ 43,876

b. Income tax examination

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

	<u>Year</u>
APEC	2021
Green Power Semiconductor Co., Ltd.	2022
Fuhong Investment Co., Ltd.	2022

21. EARNINGS PER SHARE

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

Net profit for the current year

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	2024	2023	2024	2023
Basic EPS and Diluted EPS				
Profit attributable to owners of the parent	<u>\$ 135,636</u>	<u>\$ 69,136</u>	<u>\$ 221,987</u>	<u>\$ 126,597</u>

	<u>For the Six Months Ended June 30</u>	
	2024	2023
Basic EPS and Diluted EPS		
Profit attributable to owners of the parent	<u>\$ 86,351</u>	<u>\$ 57,461</u>

Common Shares Outstanding (in thousands)

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	2024	2023	2024	2023
Basic EPS				
Weighted average number of common shares	117,981	116,890	117,639	116,683
Effect of potential dilutive common shares:				
Employees' compensation	174	224	377	605
Employee share option	298	875	531	1,014
Employee restricted shares	<u>319</u>	<u>491</u>	<u>378</u>	<u>496</u>
Diluted EPS				
Profit attributable to owners of the parent	<u>118,772</u>	<u>118,480</u>	<u>118,925</u>	<u>118,798</u>

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

22. SHARE-BASED COMPENSATION EXPENSES

a. Employee share option plan of the Company

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

Information about employee share options was as follows:

	For the Six Months Ended June 30			
	2024		2023	
	No. of shares (In thousands)	Weighted- average exercise price	No. of shares (In thousands)	Weighted- average exercise price
Balance, beginning of Period	1,485	\$ 36.97	2,065	\$ 39.05
Options exercised	(805)	37.70	(550)	39.60
Options expired	(43)	21.10	-	-
Options expired upon resignation	(108)	34.32	(30)	39.60
Balance, end of period	<u>529</u>	<u>37.70</u>	<u>1,485</u>	<u>38.83</u>
Options exercisable, end of period	<u>24</u>		<u>303</u>	

Information about outstanding options was as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Range of exercise price (\$)	\$37.70	\$21.10~\$37.70	\$22.10~\$39.60
Weighted-average remaining contractual life (years)	2.69	0.36~3.19	0.86~3.69

Compensation cost recognized was \$751 thousand and \$4,228 thousand for the six months ended June 30, 2024, and 2023, respectively.

b. Restricted shares for employees of the Company

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

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

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

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

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

Compensation cost recognized was (\$3,007) thousand and \$26,921 thousand for the six months ended June 30, 2024, and 2023, and (\$1,901) thousand and \$13,461 thousand for the three months ended June 30, 2024, and 2023, respectively. As of June 30, 2024, the Company had recognized \$12,757 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.

June 30, 2024

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost					
— Foreign corporate bonds	<u>\$191,738</u>	<u>\$193,728</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$193,728</u>

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

June 30, 2024

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
— Domestic listed shares (emerging market shares)	\$ 44,235	\$ -	\$ -	\$ 44,235
— Mutual funds	129,762	-	-	129,762
— Structured deposits	-	200,916	-	200,916
total	\$ 173,997	\$ 200,916	\$ -	\$ 374,913
<u>Financial assets at FVTOCI</u>				
Equity instruments				
— Domestic listed shares	\$ 60,660	\$ 14,384	\$ -	\$ 75,044
— Domestic listed shares (emerging market shares)	35,319	-	-	35,319
— Foreign / Domestic unlisted shares	-	-	27,346	27,346
total	\$ 95,979	\$ 14,384	\$ 27,346	\$ 137,709

December 31, 2023

	Level 1	Level 2	Level 3	Total
<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
	\$ 160,593	\$ 200,905	\$ -	\$ 361,498
<u>Financial assets at FVTOCI</u>				
Equity instruments				
— Domestic listed shares	\$ 60,015	\$ 17,980	\$ -	\$ 77,995
— Domestic listed shares (emerging market shares)	47,004	-	-	47,004
— Foreign / Domestic unlisted shares	-	-	26,376	26,376
	\$ 107,019	\$ 17,980	\$ 26,376	\$ 151,375

June 30, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
— Domestic listed stocks (emerging stock market)	\$ 24,025	\$ -	\$ -	\$ 24,025
— Mutual funds	8,031	-	-	8,031
total	\$ 32,056	\$ -	\$ -	\$ 32,056
<u>Financial assets at FVTOCI</u>				
Equity instruments				
— Domestic listed stocks	\$ 60,462	\$ 25,171	\$ -	\$ 85,633

	Level 1	Level 2	Level 3	Total
— Domestic listed stocks (emerging stock market)	34,011	-	-	34,011
— Foreign / Domestic unlisted stocks	-	-	25,546	25,546
total	<u>\$ 94,473</u>	<u>\$ 25,171</u>	<u>\$ 25,546</u>	<u>\$ 145,190</u>

There was no transfer between the fair value measurements of Levels 1 and 2 for the six months ended June 30, 2024, and 2023.

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

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 374,913	\$ 361,498	\$ 32,056
Financial assets measured at amortized cost (Note1)	4,421,670	3,967,841	4,557,328
Financial assets at fair value through other comprehensive income-Equity instruments	137,709	151,375	145,190
<u>Financial liabilities</u>			
Financial liabilities measured at amortized cost (Note 2)	799,680	485,461	1,121,381

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 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 reporting period 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 \$55,925 thousand and \$77,747 thousand for the six months ended June 30, 2024, and 2023, respectively.

b). Interest rate risk

The book value of financial assets and liabilities exposed to the interest rate risk at the end of the reporting period were as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Fair value interest rate risk			
Financial assets	\$ 3,088,045	\$ 2,579,522	\$ 2,796,444
Financial liabilities	9,086	8,307	7,218
Cash flow interest rate risk			
Financial assets	473,245	364,424	516,255

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 reporting period.

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 six months ended June 30, 2024 and 2023 would have decreased/increased by \$1,183 thousand and \$1,291 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 on the balance sheet date.

If equity prices had been 5% higher/lower, pre-tax profit for the six months ended June 30, 2024 and 2023 would have increased/decreased by \$18,746 thousand and \$1,603 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 six months ended, 2024 and 2023 would have increased/decreased by \$6,885 thousand and \$7,260 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.

June 30, 2024

	Contractual Cash Flows or within a year	1-5 Years	More Than 5 Years
<u>Non-derivative financial liabilities</u>			
Notes payable	\$ 44	\$ -	\$ -
Accounts payable	369,879	-	-
Other payables	429,757	-	-
Lease liabilities	5,414	3,821	-
	<u>\$ 805,094</u>	<u>\$ 3,821</u>	<u>\$ -</u>

December 31, 2023

	Contractual Cash Flows or within a year	1-5 Years	More Than 5 Years
<u>Non-derivative financial liabilities</u>			
Notes payable	\$ 290	\$ -	\$ -
Accounts payable	352,677	-	-
Other payables	132,494	-	-
Lease liabilities	4,656	3,791	-
	<u>\$ 490,117</u>	<u>\$ 3,791</u>	<u>\$ -</u>

June 30, 2023

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

	Contractual Cash Flows or within a year	1-5 Years	More Than 5 Years
Lease liabilities	<u>3,907</u>	<u>3,395</u>	<u>-</u>
	<u>\$ 1,125,288</u>	<u>\$ 3,395</u>	<u>\$ -</u>
b). Financing facilities			
	June 30, 2024	December 31, 2023	June 30, 2023
Unsecured loans (Renew by every year)			
— Used amount	\$ -	\$ -	\$ -
— Unused amount	<u>3,286,000</u>	<u>2,586,000</u>	<u>500,000</u>
	<u>\$3,286,000</u>	<u>\$2,586,000</u>	<u>\$ 500,000</u>
Secured loans			
— Used amount	\$ -	\$ -	\$ -
— Unused amount	<u>814,000</u>	<u>714,000</u>	<u>180,000</u>
	<u>\$ 814,000</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

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

b. Sales of goods

Account	Related Party Categories	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2024	2023	2024	2023
Sales Revenue	Investors with significant influence	<u>\$ -</u>	<u>\$ 1,236</u>	<u>\$ -</u>	<u>\$ 1,236</u>

c. Purchases of goods

Related Party Categories	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Substantive related party	<u>\$ 688</u>	<u>\$ 498</u>	<u>\$ 972</u>	<u>\$ 531</u>

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

Account	Related Party Categories	June 30, 2024	December 31, 2023	June 30, 2023
Accounts receivable	Investors with significant influence	<u>\$ -</u>	<u>\$ 2,358</u>	<u>\$ 1,316</u>

Account	Related Party Categories	June 30, 2024	December 31, 2023	June 30, 2023
Other receivable	Investors with significant influence	\$ -	\$ -	\$ 35

e. Payables to related parties

Account	Related Party Categories	June 30, 2024	December 31, 2023	June 30, 2023
Accounts payables	Substantive related party	\$ 727	\$ 358	\$ 511

f. Others

Account	Related Party Categories	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2024	2023	2024	2023
Operating expenses	Substantive related party	\$ -	\$ -	\$ 3,000	\$ -
Other income	Investors with significant influence	\$ -	\$ 164	\$ -	\$ 276

g. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Short-term employee benefits	\$ 12,045	\$ 24,708	\$ 28,163	\$ 46,808
Post-employment benefits	151	135	340	270
	\$ 12,196	\$ 24,843	\$ 28,503	\$ 47,078

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

26. PLEDGED ASSETS

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

	June 30, 2024	December 31, 2023	June 30, 2023
Pledged deposit certificate (Financial assets at amortized cost-Non-current)	\$ 2,000	\$ 2,000	\$ 2,000
Land	61,590	61,590	61,590
Buildings	137,560	139,483	141,406
	\$ 201,150	\$ 203,073	\$ 204,996

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

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

June 30, 2024

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 42,837	32.450 (USD:NTD)	\$ 1,390,061
RMB	14,208	4.445 (RMB:NTD)	63,155
USD	18	7.300 (USD:RMB)	584
			<u>\$ 1,453,800</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	9,705	32.450 (USD:NTD)	\$ 314,927
USD	628	7.300 (USD:RMB)	20,379
			<u>\$ 335,306</u>

December 31, 2023

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<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)	553
			<u>\$ 1,890,880</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	9,750	30.705(USD:NTD)	<u>\$ 299,374</u>

June 30, 2023

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

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

For the Three Months Ended June 30				
	2024		2023	
Foreign Currency	Exchange rate	Net exchange profits or losses	Exchange rate	Net exchange profits or losses
USD	32.355 (USD:NTD)	\$ 17,505	30.705 (USD:NTD)	\$ 33,320

For the Three Months Ended June 30				
Foreign Currency	2024		2023	
	Exchange rate	Net exchange profits or losses	Exchange rate	Net exchange profits or losses
RMB	4.458 (RMB:NTD)	<u>520</u> <u>\$ 18,025</u>	4.374 (RMB:NTD)	(<u>2,232</u>) <u>\$ 31,088</u>

For the Six Months Ended June 30				
Foreign Currency	2024		2023	
	Exchange rate	Net exchange profits or losses	Exchange rate	Net exchange profits or losses
USD	31.901 (USD:NTD)	\$ 77,963	30.550 (USD:NTD)	\$ 20,325
RMB	4.412 (RMB:NTD)	<u>1,731</u>	4.408 (RMB:NTD)	(<u>1,895</u>)
		<u>\$ 79,694</u>		<u>\$ 18,430</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.
- 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.

TABLE 1**ADVANCED POWER ELECTRONICS CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****FOR THE SIX MONTHS ENDED JUNE 30, 2024****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2024				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	\$ 14,384	1	\$ 14,384	
	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	31,099	-	31,099	
	Fubon Financials' Class B Preferred Shares	-	Financial assets at fair value through other comprehensive income –Non-Current	496	29,561	-	29,561	
	<u>Mutual funds</u> Fubon Chi-Hsiang Money Market Fund	-	Financial assets at fair value through profit or loss – Non-Current	7,179	116,372	-	116,372	
	<u>Structured notes</u> President Securities PGN	-	Financial assets at fair value through profit or loss –Current	-	200,916	-	200,916	
	<u>Bonds</u> UBS Group	-	Financial assets at amortized cost–Non-Current	-	30,919	-	31,110	
	Mizuho Financial Group Inc.	-	Financial assets at amortized cost–Non-Current	-	32,268	-	32,398	
	HSBC Holdings PLC	-	Financial assets at amortized cost–Non-Current	-	31,813	-	32,220	
	Standard Chartered PLC	-	Financial assets at amortized cost–Non-Current	-	32,076	-	32,321	
	UBS Group	-	Financial assets at amortized cost–Non-Current	-	32,394	-	32,667	
	UBS Group AG	-	Financial assets at amortized cost–Non-Current	-	32,268	-	33,012	

(To be continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2024				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	\$ 18,034	13	\$ 18,034	
	<u>Stock</u> Great Giant Fibre Garment Co., Ltd.	-	Financial assets at fair value through profit or loss –Non-Current	261	44,235	-	44,235	
Fuhong Investment Co., Ltd.	Micro Silicon Electronics Corp.	-	Financial assets at fair value through profit or loss –Non-Current	915	35,319	1	35,319	
	<u>Mutual funds</u> Fubon Chi-Hsiang Money Market Fund		Financial assets at fair value through profit or loss – Non-Current	826	13,390	-	13,390	

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

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

TABLE 2

ADVANCED POWER ELECTRONICS CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2024
(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	\$ 8,893	Note 4	1
				Receivables from related parties	2,542	Note 4	-
				Prepayments	18,388	By contract	-
				Professional service fees	12,597	Note 4	-
1	Shenzhen Fucheng Electronics Co., Ltd.	OPC Microelectronics Co., Ltd.	(3)	Professional service income	5,766	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 SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE SIX MONTHS ENDED JUNE 30, 2024

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2024			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				June 30, 2024	December 31, 2023	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
APEC	Future Technology Consulting (B.V.I.), Inc.	British Virgin Islands	General investment	\$ 75,937 USD 2,350	\$ 75,937 USD 2,350	2,350	100	\$ 19,695	(\$ 87)	(\$ 87)	
	Perfect Prime Limited	Samoa	General investment	14,540 USD 450	14,540 USD 450	450	100	2,062	1,447	1,447	
	Green Power Semiconductor Co., Ltd.	Taiwan	Trading	100,000	100,000	1,715	87.96	(11,423)	2,146	1,888	
	Fuhong Investment Co., Ltd.	Taiwan	General investment	80,000	80,000	8,000	100	94,617	12,604	12,604	

TABLE 4

ADVANCED POWER ELECTRONICS CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2024

(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, 2024 (US\$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2024 (US\$ in Thousands)	Net Income (Losses) of the Investee Company (US\$ in Thousands)	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of June 30, 2024	Accumulated Inward Remittance of Earnings as of June 30, 2024	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	\$ 14,278 USD 440	(2)A	\$ 14,278 USD 440	\$ -	\$ -	\$ 14,278 USD 440	\$ 1,447 USD 45	100%	\$ 1,447 USD 45	\$ 1,930 USD 59	\$ -	
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	2,232	100%	2,232	(18,266)	-	

Accumulated Investment in Mainland China as of June 30, 2024 (US\$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on Investment (Note 2)
\$ 78,044	\$ 78,044	\$ 3,153,275

Note 1: The investment types are as follows:
1). Direct investment in Mainland China.
2). Indirect investment in Mainland China through a subsidiary in a third place.
 A. Reinvestment through Perfect Prime Limited
3). Reinvestment through Green Power Semiconductor Co., Ltd in Taiwan.

Note 2: 60% of the limit required by the “Review Principles for Investments or Technical Collaborations in Mainland China” of the Investment Board, Ministry of Economic Affairs.

Note 3:The foreign currency assets and profits or losses listed herein are expressed, respectively, in New Taiwan Dollar at an end-of-term and mean exchange rates of US\$ 1=NT\$32.450 and US\$ 1=NT\$31.901 as of June 30, 2024.

TABLE 5**ADVANCED POWER ELECTRONICS CO., LTD****INFORMATION OF MAJOR STOCKHOLDERS****JUNE 30, 2024**

Name of Major Stockholder	Shares	
	Number of Shares	Percentage of Ownership (%)
XSemi Corporation	35,000,000	29.55%