



FITIPOWER INTEGRATED TECHNOLOGY INC.  
STOCK CODE : 4961

# 2023 ANNUAL REPORT

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<https://mops.twse.com.tw/>

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Name: Department of Stock Transfer Agency, Yuanta Securities Co., Ltd.

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Website: <http://www.yuanta.com>

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4. Name of CPAs, name, address, website and phone number of the accounting firm for the financial statements of the most recent year

Names of CPAs: HSIAO, PEI-JU, LI, FANG-YI

Name of Accounting Firm: KPMG in Taiwan

Address: 68F, No. 7, Sec. 5, Xinyi Rd., Taipei City

Website: <http://www.kpmg.com.tw>

Tel: (02)8101-6666

5. The name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: None.

6. Official Website of the Company: <http://www.fitipower.com>

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## **I. Letter to Shareholders**

Dear Shareholders,

In 2023, the global semiconductor industry experienced rapid changes in market demand, marked by inventory downsizing, rush orders, and slowing demand. As the pandemic restrictions gradually lifted in the latter half of the previous year, the semiconductor industry also accelerated inventory depletion. However, the world still faced significant economic, human, and geopolitical challenges, including conflicts in Ukraine and Israel-Gaza, and tensions in the South China Sea. Continued geopolitical disruptions and trade restrictions severely disturbed the global supply chain, reducing globalization and diminishing free trade, which increased overall economic uncertainty. Fortunately, sustained long-term demand for semiconductors fueled by trends in AI and High-Performance Computing (HPC) applications has bolstered the underlying trajectory of structural growth.

The Company was well-prepared and firmly grasped the situation of the supply chain, continuously launching new products across various product lines and expanding its diversified product layout. However, demand for end products such as laptops, tablets, TVs, and smartphones remains weak. Customers have responded by scaling back panel production or adjusting inventories, resulting in declining product prices amidst uncertain demand and intensified competition. Consequently, Fitipower's annual revenue, gross margin, and net profit have all been negatively impacted by the macro environment, showing a decline from the previous year, yet the overall operational performance remains the third highest in history. Faced with global turbulence due to geopolitical tensions, we actively cooperate with all clients, reinforce re-investment in technology, and expand product lines to ensure appropriate returns in our core business. Concurrently, we remain committed to investing in research and development to facilitate the rapid growth of our clients. In 2023, We maintained our R&D expenditure at NT\$2.245 billion, keeping it at a historically high level compared to the previous year. While the industry is still undergoing adjustments, our early investments in technology R&D are poised to propel Fitipower into a new phase of heightened growth. We are steadfast in our commitment to continued investment to capitalize on forthcoming opportunities.

### **Financial Performance**

In 2023, the annual consolidated revenue of the Company was NT\$ 16.2 billion and 86.52 million, a decrease of 17.25% compared to the previous year's NT\$ 19.6 billion and 80.42

million. The net profit after tax was NT\$ 2.3 billion and 67.19 million, with earnings per share of NT\$ 13.29, both decreasing by 27.59% and 19.4% compared to the previous year's net profit of NT\$ 3.2 billion and 69.19 million, and earnings per share of NT\$ 16.49.

In 2023, the Company's gross profit margin was 32.43%, compared to 36.31% in the previous year. The operating profit margin was 14.4.7%, compared to 19.65% in the previous year. The net profit margin after tax was 14.53%, down 2.08 percentage points from the previous year's 16.61%.

### Technology Development

In 2023, our Company continued to increase R&D expenses, reaching NT\$ 2,245 million. We continued to improve our R&D capability in various display screen design chips and power management chips.

In terms of display screens, in addition to providing competitive solutions for the general market, we specialize in developing advanced customized products for high-end display panels used by global leading brands. This year, we've achieved significant technological breakthroughs and enhancements, including expanding our integrated products under the Panel Power brand, introducing innovative products tailored for TVs with high resolution and high refresh rates, and developing low-frequency, high-voltage energy-saving driver ICs for laptops and monitors. Furthermore, we have deepened and completed our industrial control, projector, and automotive product lines.

Concerning power management chips, we continue to develop new processes in line with new product development, enhancing the company's technical capabilities and product competitiveness, such as manufacturing DDR5 power management ICs and 4 phase PWM controllers for GPU Power. The Company provides power management chip solutions in consumer, industrial, communication, automotive, and IoT fields, accounting for about 15% of total revenue this year and having the most market share among all the driver IC suppliers. Furthermore, after three years of dedication and planning, our sensor ICs are moving towards volume production in smart homes. With the rapid expansion of the Artificial Intelligence of Things (AIoT) in industry R&D applications, we are actively positioning ourselves in edge computing, and anticipate the fruition of our products in 2024.

Whether it is various display screen chips, power management chips, or other related semiconductor solutions, we provide abundant development resources for products that meet green environmental protection and ESG-related requirements. We offer a complete and smooth platform for our customers to stimulate more innovative energy. We will continue to provide more value to our customers by expanding the broad layout of logic ICs and analog ICs.

## Environment, Sustainability, and Corporate Governance

At our Company, sound corporate governance is a core business value, and we recognize that only by paying attention to the interests of all stakeholders can we truly implement the short, medium, and long-term goals of sustainable development for the Company.

In 2023, the Company continued to promote our goals in multiple dimensions. For example, the Fitipower Environmental Foundation organized the "Fitipower AI Green Technology Sustainability Innovation Competition," where professors led students to propose AI applications for green living using the Company's development systems. This not only aims to advance our country's students in AI research but also cultivates their innovation capabilities and awareness of sustainability. In terms of internal digital transformation, we regularly hold "Automation Competitions" to improve internal management processes and costs, thereby enhancing work efficiency and ensuring quality management.

Additionally, in terms of systems and certifications, we have enhanced our environmental management systems (ISO 14001), occupational health and safety management systems (ISO 45001), and information security management systems (ISO 27001). For the sustainable assessment of suppliers, we revised related management procedures and established Fitipower's Supplier Code of Conduct, requiring adherence by related suppliers and regularly conducting sustainability assessments as a consideration for cooperation. In the future, we will further enhance "carbon management," starting in the year 2024 by implementing the Task Force on Climate-related Financial Disclosures (TCFD) and the greenhouse gases (ISO 14064) inventory system, with data verification expected to be completed in Q1 2025. We will also conduct product carbon footprint verification (ISO 14067) for major products, aiming for net-zero carbon emissions by 2050 through a comprehensive inventory of carbon data and risk management.

We contribute to global energy conservation and environmental protection by creating highly efficient and low-energy-consuming chips. We also prioritize creating a friendly workplace that spreads goodwill throughout our organization. We firmly believe that adhering to sustainability and corporate governance principles will bring more substantial operational performance to all our shareholders. We remain committed to promoting sustainable development and continuously improving our corporate governance practices for the benefit of all stakeholders.

## Corporate Development

We recognize that talents are our most important asset. As a fast-growing and professional



fabless semiconductor company, we place great value on talent cultivation and workplace development. In the professional field, we continuously respond to the concerns of our customers and partners by developing more comprehensive research and solutions for various applications, such as edge computing, the Internet of Things, artificial intelligence, automotive electronics, and electronic paper. We are committed to providing our customers with highly differentiated plus value, and we believe that innovative products in different application fields will soon become the driving force for future business growth.

In 2023, the Company also received accolades for innovation, sustainable development, corporate governance, and financial performance, ranking second among Taiwan's Top 20 Female CEOs by Harvard Business Review (HBR) and third in the 7th Taiwan Mittelstand Award.

### Future Outlook

Entering 2024, the overall economic and geopolitical uncertainties persist. As semiconductors become increasingly important and ubiquitous in all aspects of our daily lives, they have become foundational technologies of the modern digital economy, and their value will continue to rise in the global supply chain.

However, US-China tensions and export controls have prompted countries to expand subsidies for semiconductor industry investments to accelerate the establishment of autonomous supply chains, with clusters undergoing rapid restructuring. In particular, the autonomous development of China's supply chain will bring low-price competition and a shortage of IC design talents. We will also make use of such challenges to balance the layout of non-Chinese markets and adhere to our core principle of technology being people-oriented, collaborating with clients and the supply chain on forward-looking product design and development to create the next wave of operational growth momentum.

We are committed to adhering to sound corporate governance principles. Our responsibility is to continue bringing long-term profit growth to our shareholders. We are grateful to our shareholders for their long-term trust and support in the Company. We will continue to pursue the Company's sustainable development and enhance its long-term corporate value.

**LIN, YUNG-CHIEH, Chairman**





## II. Company Profile

1. Date of Incorporation: July 4, 1995

2. Company History:

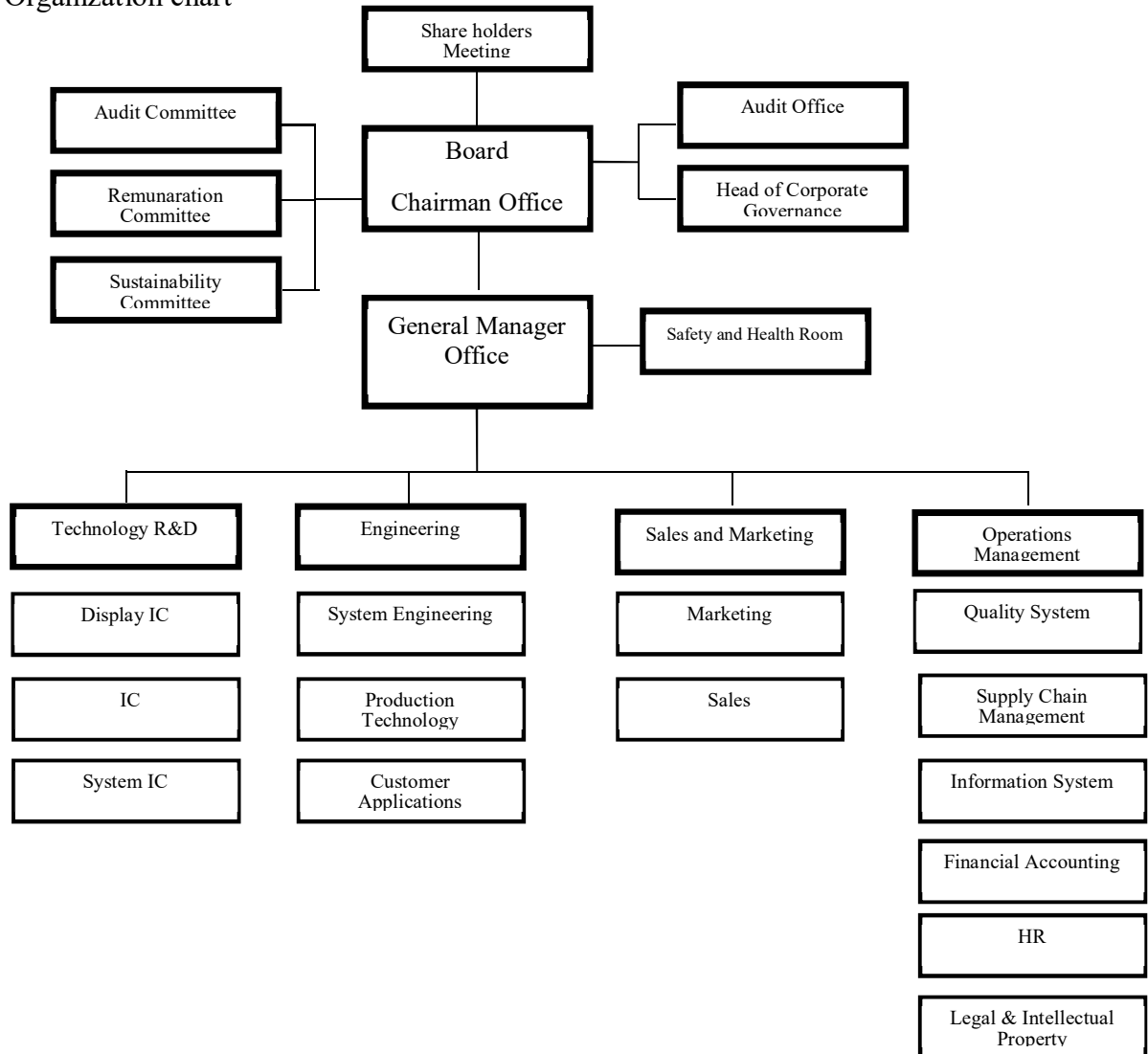
Year	Month	Events
1995	Jul	Company established with a capital of NT\$50,000 K
1998	Aug	10-bit Scanner AFE won the Best 3C Product Star Award
2002	Jun	Elan MicroelectronIC Corp. invested and acquired the right to operate
2005	Jan	Passed ISO 9001:2000 quality certification
2005	Sep	Increased capital by NT\$6,391 K through conversion of earnings and by NT\$24,001 K through conversion of capital surplus, bringing a paid-in capital to NT\$158,742 K
2006	Mar	Increased capital by NT\$58,686 K through conversion of earnings, bringing a paid-in capital to NT\$223,638 K
2006	May	Merged Hongsin Semiconductor Co and increased capital by NT\$450,000 K, bringing an authorized capital to NT\$1,000,000 and paid-in capital to NT\$673,638 K.
2008	Jan	Increased capital by NT\$120,000 in cash, resulting in a paid-in capital of NT\$845,848 K
2009	Jan	Relocated head office to Jhunan Science Park
2009	Jan	Passed ISO 9001:2008 quality certification
2010	Apr	Reduced capital by NT\$260,970 K, resulting in a paid-in capital of NT\$608,928 K
2010	May	Merged TechPower Semiconductor Co. and increased capital by NT\$38,000 K, bringing paid-in capital to NT\$646,928 K.
2010	Jul	Approved by the Securities and Futures Bureau a supplemental public offering of shares
2010	Sep	Registered on the Emerging Stock Market through the Taipei Exchange
2011	Jan	Established Jadard Technology (Shenzhen) Inc. in China through an investee enterprise in a third jurisdiction
2011	Aug	Increased capital by NT\$23,858 K through conversion of earnings, bringing a paid-in capital to NT\$750,786 K
2012	Jan	Hon Hai Technology Group increased capital by \$450,000 K by a private placement, bringing an authorized capital to NT\$1,500,000 K and a paid-in capital to NT\$1,200,786 K
2012	May	Relocated head office to Hsinchu Science Park
2012	Jul	Invested and established Jadard Technology Limited
2013	Jun	Innolux Corp increased capital by \$100,000 K by a private placement, bringing an authorized capital to NT\$2,000,000 K and a paid-in capital to NT\$1,321,794 K
2014	Nov	Issued new restricted shares to employees and increased capital by NT\$15,000 K, resulting in a paid-in capital of NT\$1,336,794 K
2015	Dec	Issued new restricted shares to employees and increased capital by NT\$25,000 K, resulting in a paid-in capital of NT\$1,360,606 K
2016	Nov	Issued new restricted shares to employees and increased capital by NT\$28,790 K, resulting in a paid-in capital of NT\$1,388,759 K
2017	Mar	Established Jadard Technology Ltd in Hong Kong through an investee enterprise in China
2017	Jul	Established Jadard Technology (Hefei) Co in China through an investee enterprise in China
2017	Nov	Issued new restricted shares to employees and increased capital by NT\$27,600 K, resulting in a paid-in capital of NT\$1,415,409 K

Year	Month	Events
2018	Jan	Passed ISO9001:2015 quality certification
2018	Oct	Listed on the Taiwan Stock Exchange
2018	Nov	Increased capital by NT\$189,000 K in cash, and issued new restricted shares to employees and increased capital by NT\$1,240 K, resulting in a paid-in capital of NT\$1,604,260 K
2018	Dec	Issued new restricted shares to employees and increased capital by NT\$24,570 K, resulting in a paid-in capital of NT\$1,628,606 K
2019	Apr	Cancelled new restricted shares issued to employees and reduced capital by NT\$217 K, resulting in a paid-in capital of NT\$1,628,389 K
2019	Aug	Cancelled new restricted shares issued to employees and reduced capital by NT\$1,024 K, resulting in a paid-in capital of NT\$1,627,365 K
2019	Dec	Issued new restricted shares to employees and increased capital by NT\$30,000 K, and cancelled the same and reduced capital by NT\$490 K, resulting in a paid-in capital of NT\$1,656,875 K
2020	Feb	Acquired 100% equity interest in VISUAL SENSING TECHNOLOGY CO.
2020	Apr	Cancelled new restricted shares issued to employees and reduced capital by NT\$627 K, resulting in a paid-in capital of NT\$1,656,248 K
2020	Aug	Cancelled new restricted shares issued to employees and reduced capital by NT\$756 K, resulting in a paid-in capital of NT\$1,655,492 K
2020	Dec	Issued new restricted shares to employees and increased capital by NT\$10,570 K, and cancelled the same and reduced capital by NT\$182 K, resulting in a paid-in capital of NT\$1,665,880 K
2021	May	Cancelled new restricted shares issued to employees and reduced capital by NT\$301 K, resulting in a paid-in capital of NT\$1,665,579 K
2021	Aug	Increased capital by NT\$200,000 K in cash, and cancelled new restricted shares issued to employees and reduced capital by NT\$126 K, resulting in a paid-in capital of NT\$1,865,453 K
2022	May	Ranked 3rd in the "Top 50 Best Operational Performance" by CommonWealth Magazine.
2022	May	Invested in the establishment of Jadeite Investment Inc.
2022	Jun	Named as one of the "Top 100 Foreign Investors in Taiwan" by Taiwan Institute of Directors and Corporate Research and Development Center in 2022
2022	Sep	JADARD (Shenzhen) Technology Co., Ltd. listed on the Science and Technology Venture Exchange of Shanghai Stock Exchange
2020	Apr	Cancelled new restricted shares issued to employees and reduced capital by NT\$627 K, resulting in a paid-in capital of NT\$1,656,248 K
2023	Mar	Certified by ISO 27001: Information Security Management System
2023	Jun	Selected as one of the Top 100 Foreign-Invested Enterprises in Taiwan
2023	Aug	Conducted a capital reduction of NT\$652,908 thousand, resulting in a paid-in capital of NT\$1,212,545 thousand
2023	Dec	Certified by ISO 26262: Road Vehicles - Functional Safety Standard; ISO 14001:2015 Environmental Management System; ISO 45001:2018 Occupational Health and Safety Management System
2024	Jan	Recipient of the Award of the 7th Taiwan Mittelstand Enterprise organized by the Ministry of Economic Affairs, Executive Yuan

### III. Corporate Governance Report

#### 1. ORGANIZATION

(1) Organization chart



(2) Operations implemented by major departments

Department	Responsibilities
Audit Office	Develops, plans and carries out internal control and audit systems.
Chairman Office / President Office	Plans and defines the direction, objectives, strategies and development policies of the Company, and supervises the actual implementation of the Company's policies to ensure the achievement of the Company's objectives.
Safety and Health Room	Responsible for daily management of environmental safety and health, as well as the implementation and maintenance of the ISO management system.
Display IC	<ol style="list-style-type: none"> <li>1. Responsible for the design of display driver ICs.</li> <li>2. Responsible for the design and verification of circuit layouts.</li> <li>3. Assist in the production of photomasks and related matters.</li> <li>4. Measurement and application verification of various product specifications and functions.</li> <li>5. Integration of application system architecture and product promotion.</li> <li>6. Customer design and application technical support.</li> <li>7. Handling customer complaints.</li> </ol>
Power Management IC	<ol style="list-style-type: none"> <li>1. Responsible for the design of power management ICs.</li> <li>2. Responsible for the design and verification of circuit layouts.</li> <li>3. Assist in the production of photomasks and related matters.</li> <li>4. Measurement and application verification of various product specifications and functions.</li> <li>5. Integration of application system architecture and product promotion.</li> <li>6. Customer design and application technical support.</li> <li>7. Handling customer complaints.</li> </ol>
System IC	<ol style="list-style-type: none"> <li>1. Research and development of company products.</li> <li>2. Responsible for the design and verification of circuit layouts.</li> <li>3. Assist in the production of photomasks and related matters.</li> <li>4. Measurement and application verification of various product specifications and functions.</li> <li>5. Integration of application system architecture and product promotion.</li> <li>6. Customer design and application technical support.</li> <li>7. Handling customer complaints.</li> </ol>
System Engineering	<ol style="list-style-type: none"> <li>1. Integrate system architecture, provide IC development ideas.</li> <li>2. Participate in the development of various projects, provide system support, and complete verification.</li> <li>3. Assist in completing the specifications of various ICs and identifying the design tolerances and related loads of manufacturers.</li> </ol>
Production Technology	<ol style="list-style-type: none"> <li>1. Product testing engineering.</li> <li>2. Analysis and improvement of process abnormalities and prevention of recurrence.</li> </ol>
Customer Applications	<ol style="list-style-type: none"> <li>1. Assist customers in developing system boards and provide technical consulting services.</li> <li>2. Support the analysis and resolution of customer complaints.</li> <li>3. Provide technical support to customers and related departments.</li> </ol>
Marketing/Sales	<ol style="list-style-type: none"> <li>1. Responsible for achieving annual sales targets.</li> <li>2. Responsible for the execution of orders and shipments.</li> <li>3. Responsible for the collection and follow-up of accounts receivable.</li> <li>4. Handling customer complaints and serving as the window for after-sales service.</li> <li>5. Develop product strategies and produce related promotional materials.</li> </ol>
Quality System	<ol style="list-style-type: none"> <li>1. Responsible for the improvement and maintenance of product yield.</li> <li>2. Inspection and control of incoming materials.</li> <li>3. Product quality control.</li> <li>4. Handling customer complaints and analysis of defective products.</li> </ol>
Supply Chain Management	<ol style="list-style-type: none"> <li>1. Procurement of raw materials, import/export operations, and management of suppliers.</li> </ol>

Department	Responsibilities
	<ul style="list-style-type: none"> <li>2. Outsourced vendor lead time management.</li> <li>3. Management of production planning and import/export operations.</li> </ul>
Information System	<ul style="list-style-type: none"> <li>1. Planning, evaluation, management, and maintenance of computers, networks, peripheral equipment, and packaged software.</li> <li>2. System maintenance management of workstations.</li> <li>3. Information security management.</li> </ul>
Finance and Accounting	<ul style="list-style-type: none"> <li>1. Establish financial plans based on the company's management philosophy.</li> <li>2. Planning and execution of financial, accounting, taxation, cost, and funding related operations.</li> <li>3. Preparation, execution, and control of annual budgets.</li> <li>4. Preparatory work for board of directors and shareholders meetings, and handling of various company changes.</li> <li>5. Prepare operational reports based on financial information, providing suggestions for improvement to management.</li> <li>6. Promote improvements to financial systems and operational procedures to ensure performance improvement.</li> <li>7. Maintenance of external investor relations.</li> </ul>
Human Resources/Legal Affairs and Intellectual Property	<ul style="list-style-type: none"> <li>1. Organization and execution of company structure and administrative systems.</li> <li>2. Employee recruitment, salary administration, education and training.</li> <li>3. Property management, maintenance, and disposal operations.</li> <li>4. General affairs and miscellaneous tasks.</li> <li>5. Review and storage of contracts and legal documents.</li> <li>6. Investigation, research, and application of intellectual property rights protection.</li> <li>7. Assist relevant departments in negotiating with legal advisors and obtaining appropriate support.</li> </ul>

## 2. Directors, President, Vice President, Assistant Managers and Heads of Departments and Branch Organizations

### (1) Directors

#### 1. Directors' information

April 2, 2024; Units: Shares; %

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		Experience (Education)	Other Position	Other officers, directors or supervisors who are spouses or within two degrees of kinship.			Remark (Note 1)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairperson	ROC	LIN, YUNG-CHIEH	Male 51~60	2021.05.18	3	100.06.30	835,282	0.50	521,415	0.43	249,208	0.21	-	-	<b>Education and Qualifications</b> PhD in electrical engineering, University of California, Santa Barbara (UCSB) <b>Experience</b> Engineer, ALi Corp Manager, Hon Hai Precision Industry Co	CEO of the Company, Chairman of the Sustainable Development Committee Jadeite Investment Inc.Chairman	-	-	-	-
Director (Note 3)	ROC	Hong Yang Investment INC.	-	2021.05.18	3	101.05.25	12,120,045	7.28	8,352,000	6.89	-	-	-	-	-	-	-	-	-	-
	ROC	Rept.: LIU, JIN-HSUN	Male 51~60	2021.05.18	3	107.06.21	-	-	-	-	-	-	-	-	<b>Education and Qualifications</b> PhD in electronic engineering, National Chiao Tung University <b>Experience</b> Chief Technology Officer, US-based Cavium Inc. (Taiwan)	Vice President, SDC System Chip Design Center, Hon Hai Precision Industry Co; President, Pollux Electronics Limited Taiwan Branch (Macau); Executive Director, Pollux Electronics Limited; President & Chairman, Achnar Technologies (US) Co; Chairman, Nxvi Microelectronics Technology (Jinan) Co; President & Chairman of the Board, Hongfuxin Electronic Technology (Jinan) Co	-	-	-	-
Director (Note 3)	ROC	Hong Yang Investment INC.	-	2021.05.18	3	104.05.28	12,120,045	7.28	8,352,000	6.89	-	-	-	-	-	-	-	-	-	-
	ROC	Rept.: LUO, WEN-WEI	Male 51~60	2021.05.18	3	109.02.25	-	-	-	-	-	-	-	-	<b>Education and Qualifications</b> MSc in nuclear engineering, National Tsing Hua University <b>Experience</b> Senior Assistant Manager of R&D Technology, ProMOS Technologies Inc	President of Socle Technology Corp	-	-	-	-

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		Experience (Education)	Other Position	Other officers, directors or supervisors who are spouses or within two degrees of kinship.			Remark (Note 1)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	ROC	CHIU, SHU-HUI	Female 51~60	2021.05.18	3	95.06.02	987,733	0.59	730,742	0.60	-	-	-	-	<b>Education and Qualifications</b> Institute of Electronics, National Chiao Tung University <b>Experience</b> Hualon Microelectronics Corp Director, Elan Microelectronics Corp	President of the Company, Vice Chairman of the Sustainable Development Committee	-	-	-	-
Independent Director	ROC	CHEN, BI-FENG	Female 61~70	2021.05.18	3	101.05.25	-	-	-	-	-	-	-	-	<b>Education and Qualifications</b> MBA, Royal Roads University, Canada <b>Experience</b> Cost Accounting Officer, Integrated Circuit Solution Inc Accounting Officer, RiTdisplay Corp Finance Officer, Startek Engineering Inc Finance Officer, Art Analog, Inc	Members of the Company's Audit Committee, Compensation Committee and Sustainable Development Committee	-	-	-	-
Independent Director	ROC	YAO, DE-CHANG	Male 51~60	2021.05.18	3	103.06.26	-	-	-	-	-	-	-	-	<b>Education and Qualifications</b> M.S. in finance, National Taiwan University MSc in electrical engineering, University of Southern California, USA <b>Experience</b> Vice President, Hsu Pang Investment Consulting, Inc. President, Ta Ya Venture Capital Co	(Note 2)	-	-	-	-
Independent Director	ROC	LIU, HSUEH-YU	Male 61~70	2021.05.18	3	110.05.18	-	-	-	-	-	-	-	-	<b>Education and Qualifications</b> M.S. in finance, National Taiwan University MSc in electrical engineering, University of Southern California, USA <b>Experience</b> Vice President, Hsu Pang	Member of the Audit Committee, Compensation Committee, and Sustainability Committee of the Company General Manager, NTU Innovation & Incubation Co., Ltd. Corporate Director Representative, P-DUKE	-	-	-	-



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		Experience (Education)	Other Position	Other officers, directors or supervisors who are spouses or within two degrees of kinship.			Remark (Note 1)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
															Investment Consulting, Inc. President, Ta Ya Venture Capital Co	Technology Co., Ltd. Corporate Director Representative, IPRMORE Co., Ltd. Director, ELTA Technology Co., Ltd. Independent Director, Wieson Technologies Co., Ltd.; Member of the Audit Committee and Compensation Committee Independent Director, U.D. Electronic Corp.; Member of the Audit Committee and Compensation Committee				
Independent Director	ROC	CHIN, LAN- FANG	Female 51~60	2023.05.31	3	112.05.31	-	-	-	-	-	-	-	-	<b>Education and Qualifications</b> University of New Hampshire Master of Law-LLM <b>Experience</b> Senior Partner, Dentons Taiwan Legal Deputy Manager, Continental Engineering Corporation General Counsel, Presicarre Corporation General Counsel, SemiLEDs Corporation Associate Director of Legal Affairs, Quanta Display Inc. Legal Manager, Acer Incorporated Attorney, Ching Yang Legal Office	Member of the Audit Committee and Sustainability Committee of the Company FIH Mobile Limited General Counsel	-	-	-	-

Note 1: If the chairman of the board of directors and the general manager or equivalent (top manager) are the same person, spouses or relatives of one another, the reasons, reasonableness, necessity and measures (such as increasing the number of independent directors and having a majority of directors who are not also employees or managers, etc.) should be explained:  
Due to operational needs, the chairman of the board of directors is also the chief executive officer and only 33% of the company's directors are also employees, and the Company added a seat for independent director in 2023, making the ratio of independent directors to be 67%, so the board of directors still retains objectivity and supervisory power.

Note 2: Members of the Audit Committee, Remuneration Committee and the Sustainable Development Committee of the Company, Hua Chen Investment INC. Chairperson, Yong Fu Investment INC. Chairperson, Yong Chuan Investment INC. Chairperson, Cheng Gong Management INC. Chairperson, Feng Huang Management INC. Chairperson, Feng Huang Er Innovation INC. Chairperson, Feng Huang 3 Innovation INC. Chairperson, Feng Huang 4 Innovation INC. Chairperson, Feng Huang 5 Innovation INC. Director, YOUNGTEK ELECTRONICS CORP. Director, JENTECH PRECISION INDUSTRIAL CO., LTD. Independent Director, ASIX ELECTRONICS CORPORATION Director, TAITIEN ELECTRONICS CO., LTD. Director, NCKU Venture Capital Co., Ltd. Director, Gigastone Corporation director, LeDiamond opto corporation director, Sync-Tech System Corporation Director.

Note 3: On June 15, 2023, directors LIU, JIN-HSUN and LUO, WEN-WEI, who were the Corporate Director Representative of Hong Yang Venture Investment Inc., resigned.

## 2. Major shareholders of the corporate shareholders

2024/4/2

Name of corporate shareholder	Major shareholders of the corporate shareholder	Shareholding
HONG YANG INVESTMENT INC.	HON HAI PRECISION INDUSTRY CO., LTD.	97.95%

## 3. Majority shareholder of a corporation whose principal shareholder is a corporation

2023/4/2

Name of corporate shareholder	Major shareholders of the corporate shareholder
HON HAI PRECISION INDUSTRY CO., LTD.	<p>Terry Gou (12.56%)</p> <p>Citi's investment account with the Government of Singapore (2.78%)</p> <p>New System Labour Pension Fund (1.64%)</p> <p>Standard Chartered Custodianship of Investment Account with Bank of Liechtenstein (1.20%)</p> <p>Chase Custodian Van Gard Emerging Markets Equity Index Fund (1.19%)</p> <p>Chase Custodianship Advanced Starlight Advanced Aggregate International Equity Index (1.14%)</p> <p>Citi Custodianship Norway Central Bank Investment Special Account (1.06%)</p> <p>Citi's depositary receipts account with Hong Hai Precision Industrial Co. (1.06%)</p> <p>CTBC Bank in custody for Yuanta/P-shares Taiwan Top 50 ETF (0.89%)</p> <p>Standard Chartered in custody for the iShares Emerging Markets ETF Investment Special Account (0.82%)</p>

## 4. Professional qualifications and independence analysis of directors and supervisors:

Criteria Name /Title	Professional Qualifications and Experiences	Status of Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
LIN, YUNG-CHIEH Chairperson	Please refer to the Annual Report - Directors' Information (pages 10 to 12) for the professional qualifications and experience of the Directors.  None of the Directors are subject to the provisions of Article 30 of the Companies Act (Note 1).	NA	-
LIU, JIN-HSUN Director (Note 3)			-
LUO, WEN-WEI Director (Note 3)			-
CHIU, SHU-HUI Director			-
CHEN, BI-FENG Independent Director		All independent directors meet the following criteria. 1. Comply with the relevant provisions of Article 14 of the Securities Transaction Act and the	-

Criteria Name /Title	Professional Qualifications and Experiences	Status of Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
YAO, DE- CHANG Independent Director		"Regulations on the Establishment of and Matters to be Followed by Independent Directors of Public Development Companies" (Note 2) promulgated by the Financial Supervisory Commission	1
LIU, HSUEH-YU Independent Director		2. No shares of the Company are held by the director (or in the name of others), his spouse and minor children.	2
CHIN, LAN- FANG Independent Director		3. Have not received any remuneration for business, legal, financial or accounting services provided by the Company or its affiliates in the last two years.	-

Note 1: A person shall not be appointed as a manager if one of the following applies, and if he/she has been appointed as a manager, he/she shall be dismissed as a matter of course.

1. Has been convicted of an offence under the Prevention of Organized Crime Ordinance and has not yet been executed, has not yet been executed, or has been executed, suspended or pardoned for less than five years.
2. Has been convicted of fraud, breach of trust or embezzlement and has been sentenced to imprisonment for a term of more than one year and has not been executed, has not been served, or has served, been suspended or pardoned for a period of not more than two years.
3. Has been convicted of a crime under the Corruption Ordinance, and having been convicted of such a crime, and having not been executed, not yet executed, or not more than two years after the completion of the execution, the expiration of the suspended sentence or the pardon.
4. Has been declared bankrupt or has commenced liquidation proceedings by court order and has not yet regained his or her rights.
5. With dishonor record.
6. A person who is incapacitated or has restricted capacity.
7. Has not been revoked by an ancillary declaration.

Note 2: 1. Not a government or legal entity or its representative as provided in Article 27 of the Companies Act.

2. An independent director of no more than three other publicly traded companies.
3. Has not been one of the following two years prior to his or her election and during his or her term of office.
  - (1) An employee of the Company or its affiliates.
  - (2) A director or supervisor of the Company or its affiliates.
  - (3) A shareholder who holds more than 1% of the total issued shares of the Company or is the top ten shareholder whose shares are hold in the name of himself/herself, his/her spouse, minor children or others.
  - (4) A manager listed in (1) or a spouse, a relative within the second degree of consanguinity or a relative within the third degree of consanguinity of a person listed in (2) or (3).
  - (5) A director, supervisor or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company, is the top five holders of shares, or is a person designated as a representative to act as a director of the Company in accordance with Article 27 of the Company Act.
  - (6) A director, supervisor or employee of another company who is controlled by the same person as the directorship or more than half of the voting shares of the company.
  - (7) A director (director), supervisor (supervisor) or employee of another company or organization who is the same person or the spouse of the chairman, president or equivalent of the chairman, president or equivalent of the company.
  - (8) A director, supervisor, manager or shareholder holding more than 5% of the shares of a particular company or organisation with which the company has financial or business dealings.
  - (9) Professionals, sole proprietors, partners, directors (directors), supervisors (supervisors), managers and their spouses who provide audit or remuneration to the Company or its affiliates in the amount of less than NT\$500,000 in the last two years for business, legal, financial or accounting related services, except for members of the Company's Remuneration Committee.

Note 3: On June 15, 2023, directors LIU, JIN-HSUN and LUO, WEN-WEI, who weew the Corporate Director Representative of Hong Yang Venture Investment Inc., resigned.

#### 5. Board Diversity and Independence:

The Company's Code of Corporate Governance Practices was approved by the Board of Directors on March 10, 2015 and the diversity policy is set out in Chapter 3, "Strengthening the Functions of the Board".

The nomination and selection of members of the Company's Board of Directors is based on a candidate nomination system in accordance with the Company's Articles of Incorporation and in compliance with the "Procedures for Election of Directors" and the "Code of Corporate Governance Practices". The Company has set a target of 25% female directors to ensure diversity in the Board of Directors, taking into account the operational and development needs of the Company.

All the six directors of the Company's current Board of Directors have diverse backgrounds, including different industries and financial accounting. The Company's board of directors is independent as 33% of the directors are employees and 67% are independent directors, and there are no spouses or relatives within the second degree of kinship among the directors. The Company also places emphasis on gender equality in the composition of its Board of Directors, of which three are female directors, representing 50%.

The diversity, complementarity and implementation of the Company's directorship policy comply with the standards set out in Rule 20 of the Code of Corporate Governance Practices. In the future, the diversity policy will be revised in accordance with the operation, business model and development needs of the Board, including but not limited to the two major orientations of basic requirements and values, and professional knowledge and skills, to ensure that Board members should generally possess the knowledge, skills and qualities necessary to perform their duties. The policy is implemented as follows. The implementation of the diversity policy for Board members is set out in the table below.

### Implementation status of the diversification policy for Board members:

Title	Chairperson	Director	Director	Director	Independent Director	Independent Director	Independent Director	Independent Director
Name	LIN, YUNG-CHIEH	LIU, JIN-HSUN	LUO, WEN-WEI	CHIU, SHU-HUI	CHEN, BI-FENG	YAO, DE-CHANG	LIU, HSUEH-YU	CHIN, LAN-FANG
Gender	M	M	M	F	F	M	M	F
Nationality	ROC	ROC	ROC	ROC	ROC	ROC	ROC	ROC
Age	51-60	51-60	51-60	51-60	61-70	51-60	61-70	51-60
Length of Service of Independent Directors					Over 9 years	3-9 years	Less than 3 years	Less than 3 years
Employee of the Company	V			V				
Professional knowledge and talent								
Commerce	V	V	V	V	V	V	V	V
Legal Affairs								V
Technology	V	V	V	V		V	V	
Finance/Accounting					V			
Ability and experience								
Ability to make operational judgments	V	V	V	V	V	V	V	V
Ability to perform accounting and financial analysis					V	V		
Ability to conduct management administration	V	V	V	V	V	V	V	V
Ability to conduct crisis management	V	V	V	V	V	V	V	V
Knowledge of the industry	V	V	V	V	V	V	V	V
International market perspective	V	V	V	V	V	V	V	V
Ability to lead	V	V	V	V		V	V	V
Ability to	V	V	V	V		V	V	V

make policy decisions								
Sustainability/ social participation	V			V	V	V	V	V

Note: On June 15, 2023, directors LIU, JIN-HSUN and LUO, WEN-WEI, who weew the Corporate Director Representative of Hong Yang Venture Investment Inc., resigned.

(2) President, Vice President, Associate Managers, Heads of Departments and Branches

April 2, 2024 Units: Shares; %

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 1)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark (Note 2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
CEO	ROC	LIN, YUNG-CHIEH	M	2015.06.16	521,415	0.43	249,208	0.21	-	-	PhD in electrical engineering, University of California, Santa Barbara (UCSB) Engineer, ALi Corp Manager, Hon Hai Precision Industry Co	Jadeite Investment Inc. Chairman	-	-	-	-
General Manager	ROC	CHIU, SHU-HUI	F	2009.01.01	730,742	0.60	-	-	-	-	MS of Electronics, National Chiao Tung University Experience Hualon Microelectronics Corp Director, Elan Microelectronics Corp	-	-	-	-	-
Vice General Manager	ROC	TSAI, KUN-HSIEN	M	2014.07.01	376,568	0.31	10,619	0.01	-	-	NSYSU Dept. of Electrical Engineering UMC Engineer Novatek Manager	-	-	-	-	-
Vice General Manager	ROC	CHANG, KUEI-KAI	M	2017.05.01	56,500	0.05	769	-	-	-	NSYSU Dept. of Electrical Engineering MS SUNSHINE SPORTS TECH CO., LTD. Manager SUNPLUS TECHNOLOGY CO., LTD. Manager	-	-	-	-	-
Associate Managers	ROC	HSU, CHONG-MING	M	2021.06.01	61,270	0.05	1,300	-	-	-	Chung Hua University Dept. of Foreign Language BA C SUN Manager DenMOS Technology Inc. Manager RECHI PRECISION CO., LTD. Manager	-	-	-	-	-
Associate Managers (Note3)	ROC	LIN, XIN-JIE	M	2021.08.23	-	-	-	-	-	-	NTU MS NCCU MS Nuvoton Technology Director NewEdge Technology VP CSMC TECHNOLOGIES CORPORATION Department Chief	-	-	-	-	-
Accounting Manager	ROC	CHEN, PO-CAN	M	2002.10.07	-	-	-	-	-	-	NSYSU Finance MA YUANTA Assistant Manager	JADARD (Shengzhen) Supervisor	-	-	-	-
Head of Corporate Governance	ROC	CHEN, YI-HUI	F	2021.11.08	-	-	-	-	-	-	SCU Dept. of Law MA MingYe Law Firm Lawyer	-	-	-	-	-

Note 1: For experience in relation to the current position, if have worked for a firm of certified public accountants or a related company during the previous reporting period, you should state the title of the position and the duties for which one were responsible: none.

Note 2: If the general manager or equivalent (top manager) and the chairman of the board of directors are the same person, spouses or relatives of one another, the reasons, reasonableness, necessity and measures (such as increasing the number of independent directors and having a majority of directors who are not also employees or managers) should be disclosed: Due to operational needs, the chairman also serves as the CEO, and the ratio of directors who are also employees is only 33%. Additionally, in 2023, the company increased the number of independent director seats, bringing the proportion of independent directors to 67%, thereby ensuring that the board maintains its objectivity and supervisory strength.

Note 3: Manager LIN, XIN-JIE was dismissed in 2023.



### 3. Remuneration of Directors, President and Vice Presidents

#### (1) Compensation of Directors and Independent Directors (2023)

Unit : NT\$ thousands

Title	Name	Compensation to Directors								Ratio of Total Compensation (A+B+C+D) to Net Income (%)		Relevant Compensation Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation from ventures other than subsidiaries or from the parent company
		Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Professional Practice (D)				Salary, Bonus, and Special Allowance (E)		Severance Pay (F)		Employee Compensation (G) (Note 1)						
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
Cash	Stock															Cash	Stock					
Chairperson	LIN, YUNG-CHIEH	-	-	-	-	-	-	-	-	-	-	14,292	14,292	108	108	13,150	-	13,150	-	27,550 1.28%	27,550 1.28%	None
Director (Note 2)	Hong Yang Investment INC. Rept.: LIU, JIN-HSUN																					
Director (Note 2)	Hong Yang Investment INC. Rept.: LUO, WEN-WEI																					
Director	CHIU, SHU-HUI																					
Independent Director	CHEN, BI-FENG	1,871	1,871	-	-	-	-	-	-	0.09	0.09	-	-	-	-	-	-	-	-	-	-	None
Independent Director	YAO, DE-CHANG																					
Independent Director	LIU, HSUEH-YU																					
Independent Director	CHIN, LAN-FANG																					
1. Please describe the policy, system, criteria and structure for the payment of remuneration to independent directors, and the relevance of the amount of remuneration to the responsibilities, risks and time commitment: please refer to P.22. 2.Other than as disclosed in the table above, remuneration received by the Company's directors for services rendered in the most recent year (e.g. as consultants to non-employees of the parent company/financial reporting company/reinvestment business): None.																						

Note 1: This refers to the employee compensation received by part-time employees in 2023. Based on the proposed 2023 employee compensation amount approved by the Board of Directors, the proposed allotment amount for this year is estimated based on historical experience.

Note 2: On June 15, 2023, directors LIU, JIN-HSUN and LUO, WEN-WEI, who were the Corporate Director Representative of Hong Yang Venture Investment Inc., resigned.

### Compensation Scale

Range of Compensation	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the financial statements	The Company	Companies in the financial statements
Less than NT\$1,000,000	CHEN, BI-FENG YAO, DE-CHANG LIU, HSUEH-YU CHIN, LAN-FANG	CHEN, BI-FENG YAO, DE-CHANG LIU, HSUEH-YU CHIN, LAN-FANG	CHEN, BI-FENG YAO, DE-CHANG LIU, HSUEH-YU CHIN, LAN-FANG	CHEN, BI-FENG YAO, DE-CHANG LIU, HSUEH-YU CHIN, LAN-FANG
NT\$1,000,000~NT\$1,999,999	-	-	-	-
NT\$2,000,000~NT\$3,499,999	-	-	-	-
NT\$3,500,000~NT\$4,999,999	-	-	-	-
NT\$5,000,000~NT\$9,999,999	-	-	-	-
NT\$10,000,000~NT\$14,999,999	-	-	CHIU, SHU-HUI	CHIU, SHU-HUI
NT\$15,000,000~NT\$29,999,999	-	-	LIN, YUNG-CHIEH	LIN, YUNG-CHIEH
NT\$30,000,000~NT\$49,999,999	-	-	-	-
NT\$50,000,000~NT\$99,999,999	-	-	-	-
More than NT\$100,000,000	-	-	-	-
Total	4	4	6	6

### (2) Compensation to Presidents and Vice Presidents (2023)

Unit: NT\$ thousands

Title	Name	Salary (A)		Severance Pay (B)		Bonus and Special Allowance (C)		Employee Compensation (D) (Note)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation from ventures other than subsidiaries or from the parent company
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Cash	Stock	Cash	Stock			
CEO	LIN, YUNG-CHIEH	13,247	13,247	324	324	12,996	12,996	21,875	-	21,875	-	48,442 2.25%	48,442 2.25%	None
President	CHIU, SHU-HUI													
Vice President	CHANG, KUEI-KAI													
Vice President	TSAI, KUN-HSIEN													

Note: The proposed allotment for this year is estimated on the basis of historical experience based on the proposed allotment of 2023s' staff remuneration approved by the Board of Directors.

### Compensation Scale

Range of Compensation	Names of Presidents and Vice Presidents	
	The Company	Companies in the financial statements
Less than NT\$1,000,000	-	-
NT\$1,000,000~NT\$1,999,999	-	-
NT\$2,000,000~NT\$3,499,999	-	-
NT\$3,500,000~NT\$4,999,999	-	-
NT\$5,000,000~NT\$9,999,999	TSAI, KUN-HSIEN	TSAI, KUN-HSIEN
NT\$10,000,000~NT\$14,999,999	CHANG, KUEI-KAI, CHIU, SHU-HUI	CHANG, KUEI-KAI, CHIU, SHU-HUI
NT\$15,000,000~NT\$29,999,999	LIN, YUNG-CHIEH	LIN, YUNG-CHIEH
NT\$30,000,000~NT\$49,999,999	-	-
NT\$50,000,000~NT\$99,999,999	-	-
More than NT\$100,000,000	-	-
Total	4	4

Name of the manager who distributes the employee's compensation and the distribution status:

Unit: NT\$ thousands

	Title	Title	Stock	Cash (Note 1)	Total	Ratio of Total Amount to Net Income (%)
Manager	CEO	LIN, YUNG-CHIEH	-	29,016	29,016	1.35
	General Manager	CHIU, SHU-HUI				
	Vice General Manager	TSAI, KUN-HSIEN				
	Vice General Manager	CHANG, KUEI-KAI				
	Associate Manager	HSU, CHONG-MING				
	Associate Manager (Note 2)	LIN, XIN-JIE				
	Accounting Manager	CHEN, PO-CAN				
	Head of Corporate Governance	CHEN, YI-HUI				

Note 1: The proposed distribution for this year is estimated based on historical experience, based on the proposed 2023 employee compensation amount approved by the Board of Directors.

Note 3: Manager LIN, XIN-JIE was dismissed in 2023.

- (3) Comparison and explanation of the analysis of total remuneration paid to the Company's directors, general manager and deputy general manager as a percentage of net income after tax for the most recent two years for the Company and all companies in the consolidated financial statements and the policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance and future risks

1. Analysis of total remuneration paid to the Company's directors, general manager and deputy general manager as a percentage of net income after tax for the most recent two years for the Company and all companies in the consolidated financial statements

Unit: NT\$ thousands

Item \ Year	2022		2023	
	The Company	Companies included in the financial statements	The Company	Companies included in the financial statements
Total directors' remuneration	1,107	1,107	1,871	1,871
Directors' total remuneration as a percentage of net profit after tax	0.04%	0.04%	0.09%	0.09%
Total remuneration of General Manager and Deputy General Manager	76,408	76,408	48,442	48,442
Total remuneration of General Manager and Deputy General Manager as a percentage of net profit after tax	2.49%	2.49%	2.25%	2.25%

2. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance and future risks:

The Company's independent directors receive a fixed compensation, while the remaining directors receive no compensation.

The remuneration of the Company's employees is determined by the Board of Directors and reported to the shareholders in accordance with the profitability of the Company in the year in which it is allocated and the percentages set forth in the Articles. The manager's remuneration, including salaries and bonuses, is determined in accordance with the Company's personnel regulations and is based on the position held, education, professional ability and responsibilities, and is determined by reference to the standards of similar positions in the industry and approved by the Remuneration Committee. The performance evaluation of our managers includes financial indicators (such as the achievement of the Company's revenue, net profit before tax and net profit after tax) and non-financial indicators (such as significant deficiencies in compliance with laws and regulations and operational risks of the departments under their supervision).

#### 4. Implementation of Corporate Governance

##### (1) Operation of the Board of Directors

The Board meeting in 2023 were held 6 times (A) and the attendance of the directors was as follows.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A] (Note)	Remarks
Chairperson	LIN, YUNG-CHIEH	6	-	100%	
Director	Hong Yang Investment INC.Rept.:LIU, JIN-HSUN	3	-	100%	Resigned on June 15, 2023
Director	Hong Yang Investment INC.Rept.:LUO, WEN-WEI	3	-	100%	Resigned on June 15, 2023
Director	CHIU, SHU-HUI	6	-	100%	
Independent Director	CHEN, BI-FENG	6	-	100%	
Independent Director	YAO, DE-CHANG	6	-	100%	
Independent Director	LIU, HSUEH-YU	5	1	83%	
Independent Director	CHIN, LAN-FANG	3	-	100%	Newly appointed on May 31, 2023
Other mentionable items:					
(1) The operation of the Board of Directors' Meeting shall state the date and period of the Board of Directors' Meeting, the content of the motion, the opinions of all independent directors and the Company's handling of the opinions of the independent directors, if any of the following circumstances apply.					
1. Matters listed in Article 14-3 of the Securities Transaction Act: The Company has established an Audit Committee, please refer to page 24-25 for the operation of the Audit Committee.					
2. Other than the matters listed above, other matters resolved by the Board of Directors at meetings of the Board of Directors at which the independent directors objected to or reserved their opinions and for which					

records or written statements are available: None.

(2) Enforcement of Directors' disqualification from interest motions.

1. At the 8th term, 12th board meeting, the review of 2022 employee and director remuneration distribution case was discussed. All attending directors agreed to pass the case, except for directors LIN, YUNG-CHIEH and CHIU, SHU-HUI, who also serve as managers and needed to avoid conflicts of interest by not participating in the discussion and voting.
2. At the 8th term, 12th board meeting, the review of lifting the competitive prohibition restriction for directors was discussed. All attending directors agreed to pass the case, except for the corporate representative director LIU, JIN-HSUN and independent director YAO, DE-CHANG, who are both stakeholders in this case and needed to avoid conflicts of interest by not participating in the discussion and voting.
3. At the 8th term, 13th board meeting, the removal of competitive prohibition restrictions for directors was reviewed, and all attending directors agreed to pass, except for independent director YAO, DE-CHANG, who needed to recuse himself due to a conflict of interest.
4. At the 8th term, 14th board meeting, the review of the company managers' 2023 salary adjustments was discussed. All attending directors agreed to pass the case, except for directors LIN, YUNG-CHIEH and CHIU, SHU-HUI, who needed to recuse themselves due to their dual roles as managers.
5. At the 8th term, 15th board meeting, the review of directors' salary compensation was discussed. All attending directors agreed to pass, except for CHEN, BI-FENG, YAO, DE-CHANG, LIU, HSUEH-YU, and CHIN, LAN-FANG, who needed to recuse themselves due to their status as independent directors.
6. At the 8th term, 15th board meeting, the review of the company managers' performance bonuses for the first half of 2023 was discussed. All attending directors agreed to pass, except for directors LIN, YUNG-CHIEH and CHIU, SHU-HUI, who also serve as managers and needed to recuse themselves.
7. At the 8th term, 15th board meeting, the appointment of the sustainability committee was reviewed, and all attending directors agreed to pass, except for director CHIN, LAN-FANG, who needed to recuse due to being a stakeholder in the case.
8. At the 8th term, 17th board meeting, the review of the company managers' performance bonuses for the second half of 2023 was discussed. All attending directors agreed to pass, except for directors LIN, YUNG-CHIEH and CHIU, SHU-HUI, who needed to recuse themselves due to their dual roles as managers.

(3) Implementation of the Board of Directors' evaluation:

1. Assessment result: The Company has completed the 2023 Board of Directors performance evaluation. The overall average score for the board's performance was 4.98 out of 5, and the individual members' performance average score was 4.96 out of 5, indicating good overall operation of the board; the Audit Committee received an overall average score of 5 out of 5, the Compensation Committee an average score of 5 out of 5, and the Sustainability Committee an average score of 5 out of 5, with 100% satisfaction across all measured aspects.

2. The above evaluation results were reported and approved at the 8th term, 18th board meeting.

Evaluation Frequency	Evaluation Period	Scope of Evaluation	Evaluation Method	Content of Evaluation
Once per year	2023/01/01 to 2023/12/31	Board of Directors, Individual Board Members, Audit Committee, Compensation Committee, and Sustainability Committee	Internal Self-Assessment by the Board and Board Members	<p>(1) Evaluation of the performance of the Board of Directors: including the degree of participation in the Company's operations, the quality of decisions made by the Board of Directors, the composition and structure of the Board of Directors, the selection and continuing education of directors, and internal control.</p> <p>(2) Performance evaluation of individual board members: Including mastery of corporate objectives and tasks, awareness of directors' duties, participation in corporate operations, internal relations and communication, professional and continuing education of directors, internal control, etc.</p> <p>(3) Performance evaluation of the Audit Committee and Compensation Committee: Includes the degree of participation in company operations, understanding of</p>

				responsibilities, decision-making quality, composition, and member selection, internal controls, etc. (4) Performance evaluation of the Sustainability Committee: Includes the degree of participation in company operations, understanding of responsibilities, decision-making quality, composition, and member selection, etc.
<p>(4) Assessment of the objectives and implementation of the enhanced functions of the Board of Directors for the current and most recent years.</p> <p>1. Since 2015, the Company has established an Audit Committee to replace the Supervisors' duties and responsibilities, and its members are all independent directors.</p> <p>2. The Company has posted important resolutions on the Market Observation Post System immediately after the Board of Directors' meetings to protect shareholders' rights and interests, and has designated a person responsible for the collection and disclosure of corporate information and established a spokesperson system to ensure that all material information and information is properly disclosed for the reference of shareholders and interested parties.</p>				

Note: The actual attendance rate (%) is calculated on the basis of the number of Board meetings held and the actual attendance during the term of his employment.

## (2) Operations of Audit Committee:

The Audit Committee held 6 meetings (A) in 2023 and the attendance of committee members is shown below:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A] (Note)	Remarks
Independent Director	CHEN, BI-FENG	6	-	100%	-
Independent Director	YAO, DE-CHANG	6	-	100%	-
Independent Director	LIU, HSUEH-YU	5	1	83%	-
Independent Director	CHIN, LAN-FANG	3	-	100%	Newly appointed on May 31, 2023
<p>Other mentionable items:</p> <p>(1). Annual Work Focus: The Audit Committee operates in accordance with the Company's Audit Committee Organizational Procedures and its annual review focuses on:</p> <p>1. Financial statements.</p> <p>2. Selection (dismissal) and assessment of independence of CPAs.</p> <p>3. Revision of the internal control system and implementation of internal audit.</p> <p>4. Significant assets, derivatives, loans of funds and endorsement and guarantee transactions.</p> <p>5. Matters involving the directors' own interests.</p> <p>6. Significant matters required by the competent authorities.</p> <p>(2). If the Audit Committee operates under any of the following circumstances, it shall state the date and period of the Audit Committee meeting, the content of the motion, the content of the objections, reservations or significant recommendations of the independent directors, the results of the Audit Committee resolution and the Company's handling of the Audit Committee's opinion.</p> <p>1. Matters referred to in Article 14-5 of the Securities Transaction Act:</p>					
Audit Committee Term/Date	Motion Content			Audit Committee Resolution Result	The Company's handling of the Audit Committee's opinion
2023/02/23 Third Session, Eleventh Meeting:	<ul style="list-style-type: none"> <li>Evaluation of the effectiveness of the internal control system for 2022 and the internal control system declaration case.</li> <li>2022 Annual Business Report and Financial</li> </ul>			The motion was passed with no objection	Submitted to the Board and approved by all the

	<p>Statements case.</p> <ul style="list-style-type: none"><li>● Assessment of the independence and suitability of the CPAs for the year 2023.</li><li>● Appointment of the Company's certified public accountant case.</li></ul>	from all audit committee members.	attending directors.
2023/04/19 Third Session, Twelfth Meeting:	<ul style="list-style-type: none"><li>● Proposal to conduct cash capital reduction and return share prices to shareholders.</li></ul>		
2023/04/27 Third Session, Thirteenth Meeting:	<ul style="list-style-type: none"><li>● 2023 First Quarter Financial Report case.</li></ul>		
2023/07/26 Third Session, Fourteenth Meeting:	<ul style="list-style-type: none"><li>● 2023 Second Quarter Financial Report case.</li></ul>		
2023/10/25 Third Session, Fifteenth Meeting:	<ul style="list-style-type: none"><li>● 2023 Third Quarter Financial Report case.</li></ul>		
2023/12/26 Third Session, Sixteenth Meeting:	<ul style="list-style-type: none"><li>● 2024 Proposal for the Company's audit plan.</li><li>● Proposal to revise the Company's "Internal Control System."</li><li>● Proposal for Compensation to CPAs</li></ul>		
<p>2. Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all the directors: None.</p> <p>(3). If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.</p> <p>(4). Communications between the independent directors, the Company's chief internal auditor and CPAs (including the material matters, manner and results of communication regarding the financial and business position of the Company):</p> <p>1. The Head of Internal Audit of the Company provides audit reports to the independent directors on a regular basis, and the Audit Committee and the Board of Directors put forward proposals for internal audit reports, annual audit plans and amendments to the internal control system to enable the independent directors to have a full understanding of the implementation of internal control of the Company's business. The independent directors had no objection or reservation to the motions this year and their communication with the audit business was good.</p> <p>2. At least one meeting per year is held exclusively between the independent directors and the accountant and audit supervisor. Before issuing financial reports, the independent directors and the accountant engage in pre-meeting communications to reach a consensus. The most recent communication involved the accountant explaining the key audit matters for the 2023 financial report and regulatory compliance, ensuring smooth communication between the Company's independent directors and the certified public accountant.</p>			

Note: The actual attendance rate (%) is calculated on the basis of the number of Audit Committee meetings held and the actual attendance during his employment.

(3) Corporate Governance Implementation Status and Deviations from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons:

Evaluation Item	Implementation Status			Deviations from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Y	N	Abstract Explanation	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	✓		The Code of Corporate Governance Practices was approved by the Board of Directors on March 10, 2015 and the exercise of powers and duties by the directors and the internal control system are governed by the Code of Corporate Governance Practices.	None



Evaluation Item	Implementation Status			Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y	N	Abstract Explanation	
<p>2. Shareholding structure &amp; shareholders' rights</p> <p>(1) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?</p> <p>(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?</p> <p>(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?</p> <p>(4) Does the Company establish internal rules against insiders trading with undisclosed information?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company has established a spokesperson system, with dedicated personnel responsible for handling shareholders' proposals, doubtful disputes and litigation matters, and coordinating with relevant units of the Company for settlement.</p> <p>(2) The Company discloses the names of its major shareholders and the ultimate controllers of its major shareholders in accordance with the law, while maintaining communication channels with its major shareholders, and making disclosures in accordance with the law.</p> <p>(3) The Company has established supervision system over its subsidiaries and clearly delineated the authority and responsibility for the management of personnel, assets and finances between the Company and its affiliates, and each affiliate has established its own independent financial and business systems.</p> <p>(4) The Company has established a management system to prevent insider trading, to establish a internal mechanism for handling and disclosing material information, to avoid improper disclosure of information, and to ensure consistency and accuracy of information released by the Company to the outside world.</p>	<p>None</p> <p>None</p> <p>None</p> <p>None</p>
<p>3. Composition and responsibilities of the Board of Directors</p> <p>(1) Does the Board develop and implement a diversified policy and specific objectives of management for the composition of its members?</p> <p>(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p>	<p>✓</p> <p>✓</p>		<p>(1) Please refer to pages 15~16 of this annual report for more information.</p> <p>(2) In order to achieve the vision of sustainable corporate management, the Company has established a Sustainability Committee in accordance with the Company's Code of Practice on Sustainable Development to oversee and manage the environmental, social and governance aspects of the Company's sustainable development and promotion. The Committee is a functional committee under the Board of Directors. The Chairman is the Chairman of the Board of Directors, the Deputy Chairman is the President, and the four independent directors are members of the Committee, which meets at least twice a year and submits the implementation of sustainable development to the Board of Directors for</p>	<p>None</p> <p>None</p>

Evaluation Item	Implementation Status			Deviations from the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Y	N	Abstract Explanation	
(3) Does the Company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the compensation of individual directors and nominations for reelection?	~		<p>review.</p> <p>(3) In order to implement corporate governance and enhance the functions of the Board of Directors, and to establish performance targets to enhance the efficiency of the Board's operation, the Company has established the "Board Performance Evaluation Method" and conducts performance evaluation by means of questionnaires on a regular basis every year. The scope of the evaluation includes the performance evaluation of the Board as a whole, individual Board member, the Audit Committee, the Remuneration Committee, and the Sustainability Committee. The Company's 2023 overall Board and each committee's self-assessment and self-assessment of Board members were completed by March 31, 2023. The result of the performance evaluation were reported to the 18th eighth Board Meeting and reported to the MOPS.</p>	None
(4) Does the Company regularly evaluate the independence of CPAs?	~		<p>(4) The company evaluates the independence and suitability of its affiliated certified public accountants every year. In addition to obtaining the "Independence Declaration" and "Audit Quality Indicators (AQIs)" provided by the certified public accountants, the evaluation is conducted according to the standards of the 2024 year independent evaluation form for certified public accountants (please refer to page 30 of this annual report) and 13 AQI indicators. After confirming that the accountant and the company have no financial interests and business relationships other than the cost of certification and financial and tax cases, the accountant's family members do not violate the independence requirements, and refer to the AQI indicator information, it is confirmed that the accountant's audit experience and training hours are better than the industry average, and digital audit tools are continuously introduced to improve audit quality. The recent annual evaluation results have been discussed and passed by the third session of the seventeenth audit committee and reported to the eighth session of the eighteenth board of directors for resolution on the independence and suitability evaluation of the accountant.</p>	None

Evaluation Item	Implementation Status			Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y	N	Abstract Explanation	
4. Does the Company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders’ meetings, and producing minutes of board meetings and shareholders’ meetings)?	✓		The Company established the Head of Corporate Governance in 2020 and on November 8 2021, the Board appointed Ms. Chen Yi-hui as the Head of Corporate Governance of the Company with a corporate governance officer whose main duties include conducting meetings of the Board, the Audit Committee, the Remuneration Committee and the Shareholders' Meeting in accordance with the law; preparing minutes of the aforementioned meetings; assisting directors in their appointment and continuing education; providing information necessary for directors to carry out their business and assisting directors in complying with the law. She also provides information necessary for directors to carry out their business and assists directors in complying with the law. Ms. Chan is qualified to practise as a solicitor and has completed professional development as required by law. (Please refer to pages 30 of this year's report).	None
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		The Company has established a spokesperson system as a channel for external communication. In addition, the Company announces important information on the Market Observation Post System for the reference of stakeholders in accordance with relevant laws and regulations, and sets up a stakeholder area on the Company's website to respect and protect their legitimate rights and interests.	None
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company appointed the Department of Stock Transfer Agency, Yuanta Securities Co. to handle the Company’s stock affairs.	None
7. Information disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		(1) The Company has established a website, which is maintained by a dedicated person and updated with important financial, business and corporate governance information from time to time for the reference of shareholders and stakeholders.	None
(2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		(2) The Company's finance department has designated a person responsible for the collection and disclosure of financial and business and corporate governance information, and has established an investment relations department according to the spokesperson system.	None
(3) Does the Company announce and report annual financial statements within two months	✓		(3) The company's annual financial reports have been announced and filed within two months after the end of the fiscal year, and	None

Evaluation Item	Implementation Status			Deviations from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Y	N	Abstract Explanation	
after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?			the first, second, and third quarter financial reports and the operational status of each month have been completed before the filing deadline. For information disclosure regarding the above, please refer to the Public Information Observatory.	
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 wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		<p>(1) The directors of the Company pay close attention to the relevant legal and regulatory information and comply with the requirements of the Act.</p> <p>(2) All directors of the Company have relevant professional backgrounds and practical experience in management, and are well trained.</p> <p>(3) The Company upholds the concept of "Labour integration", emphasizes humane and rational management, and establishes smooth communication channels to maintain relations between employers and employees. For more details, please refer to the section of this report titled "Introduction to Operations - V. Labour Relations".</p> <p>(4) Rights of Stakeholders: Please refer to the Company's website - Sustainability Report <a href="https://www.fitipower.com/esg">https://www.fitipower.com/esg</a></p> <p>(5) Implementation of risk management policies and risk measurement standards: Please refer to page 82 of the Company's Annual Report - Risk Management.</p> <p>(6) Implementation of customer policy: The Company maintains a smooth communication channel with customers in order to maintain a good relationship with them.</p> <p>(7) Liability insurance for directors: The Company continues to take out liability insurance (D&amp;O) for its directors to enhance the protection of shareholders' interests.</p>	None

Evaluation Item	Implementation Status			Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y	N	Abstract Explanation	
9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.The Company received certification in 2023 for ISO 27001: Information Security Management System and ISO 14001:2015 Environmental Management System.				

#### 2024 CPA Independence Standards:

Evaluation Items	Evaluation Results	Independence Compliance
1. The CPA has a direct or material indirect financial interest in the Company.	No	Yes
2. The CPA has financing or assurance relationship with the Company or the Company's directors.	No	Yes
3. The CPA has a close business relationship and potential employment relationship with the Company.	No	Yes
4. The CPA and the members of his audit team are currently or have been in the last two years a director, manager or officer of the Company or have exercised significant influence over the audit	No	Yes
5. The CPA has provided any non-audit services to the Company that may directly affect the audit.	No	Yes
6. The CPA has acted as an intermediary in relation to any shares or other securities issued by the Company.	No	Yes
7. The CPA has acted as the Company's advocate or has acted on behalf of the Company in coordinating conflicts with third parties.	No	Yes
8. The CPA is related to a director, manager or person with significant influence over the audit.	No	Yes
9. The CPA has provided audit services to the Company for a continuous period of seven years.	No	Yes
10. The Company obtains an annual declaration of independence from the CPA.	Yes	Yes

#### Continuing education for corporate governance directors in 2023:

Name	Date	Hold by	Course	Hrs	Total Hrs
CHEN, YI-HUI	2023/10/23	ARDF	Enhancing corporate governance and internal control compliance through "Intellectual Property Management."	6	12
	2023/12/21	IIA	Practical discussion on "Insider Trading" and "Misrepresentation in Financial Reporting" and responses to these issues.	6	

#### (4) Operation of the Remuneration Committee

##### 1. Committee Member Information

Position	Criteria Name	Professional Qualifications and Experiences	Independence	Number of members of other public companies' Remuneration Committees
Independent Director (Convenor)	CHEN, BI-FENG	Please refer to the Annual Report - Directors' Information (pages 10 to 12) for the professional qualifications and experience of the Directors.	All members of the Remuneration Committee meet the following qualifications. 1. Complying with the relevant provisions of Article 14-6 of the Securities and Exchange Act and the "Regulations on the Establishment and Exercise of Powers and Functions of the Remuneration Committee of Companies whose Stocks are Listed or Traded on the Business Premises of Securities Firms"(Note) promulgated by the Financial Supervisory Commission. 2. He/she (or by another person's name), his/her spouse and minor children do not hold any shares of the Company. 3. No remuneration for business, legal, financial or accounting services provided by the Company or its affiliates in the last two years	-
Independent Director	YAO, DE- CHANG			-
Independent Director	LIU, HSUEH- YU			2

Note: Two years prior to and during the term of office, none of the following occurs.

- (1) A person employed by the Company or its affiliates.
- (2) A director or supervisor of the Company or its affiliates.
- (3) The candidate, spouse, minor children or natural shareholders who hold more than 1% of the total number of issued shares of the Company in the name of others or who are among the top ten holders of shares.
- (4) A manager listed in (1) or a spouse, a relative within the second degree of consanguinity or a relative within the third degree of consanguinity of a person listed in (2) or (3).
- (5) A director, supervisor or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company, holds the top five shares or designates a representative as a director of the Company in accordance with Article 27 of the Company Act.
- (6) A director, supervisor or employee of another company who is controlled by the same person as more than half of the directorships or voting shares of the company.
- (7) A director (director), supervisor (supervisor) or employee of another company or organization who is the same person or spouse of the chairman, president or equivalent of the company.
- (8) Directors (directors), supervisors (supervisors), managers or shareholders holding more than 5% of the shares of a particular company or organization with which the Company has financial or business dealings.
- (9) Professionals, sole proprietors, partners, directors (directors), supervisors (supervisors), managers and their spouses, who provide audit or remuneration for the Company or its affiliates in the amount of less than NT\$500,000 in the last two years, including business, legal, financial, accounting and other related services, except where one is a member of the Company's Remuneration Committee

##### 2. Duties of the Remuneration Committee.

###### Regular review of remuneration:

The function of the Company's Remuneration Committee is to evaluate, in a professional and objective manner, the remuneration policies and systems applicable for the Company's directors and managers, to meet at least twice a year, and to meet as often as necessary to make recommendations to the Board of Directors for its reference in making decisions.

###### (1) The responsibilities of the Remuneration Committee of the Company:

- A. To establish and regularly review the policies, systems, standards and structure of annual and long-term performance targets and remuneration for the Directors and managers of the Company.
- B. To regularly evaluate the achievement of the performance objectives of the Company's directors and managers and to determine the amount of their remuneration.

###### (2) In carrying out its duties, the Remuneration Committee is governed by the following criteria.

- A. To ensure that the remuneration arrangements of the Company are in accordance with the relevant laws and regulations and are sufficient to attract talented people.
- B. The performance and remuneration of directors, supervisors and managers shall be evaluated with reference to the usual level of remuneration in the industry, taking into account the time devoted by the individual, his or her responsibilities, the achievement of personal objectives, the performance of other positions held, the remuneration offered by the Company in recent years to persons in equivalent positions, and the achievement of the Company's short-term and long-term business objectives and the Company's financial position, etc., to assess the reasonableness of the relationship between the individual's performance and the Company's operating performance and future risks.
- C. Directors and managers should not be induced to engage in conduct that exceeds the Company's tolerance for risk in the pursuit of remuneration.
- D. The proportion of bonuses paid to directors and senior managers for short-term performance and the timing of payment of some variable remuneration shall be determined by taking into account the characteristic of the industry and the nature of the Company's business.
- E. Members of the Committee shall not be allowed to participate in the discussion and vote on decisions regarding their personal remuneration.

3. Information on the operation of the Remuneration Committee

- (1) There are three 3 members of the Remuneration Committee of the Company.
- (2) The term of office of the current members: from May 18, 2021 to May 17, 2024 (or until the 2024 Annual General Meeting for re-election), the 2023 Remuneration Committee met 4 times (A) with the following members present.

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance (B/A)	Remark
Convener	CHEN, BI-FENG	4	-	100%	
Member	YAO, DE-CHANG	4	-	100%	
Member	LIU, HSUEH-YU	3	1	75%	

Date of the most recent annual meeting of the Remuneration Committee, content of the motion, outcome of the resolution and the Company's response to the views of the Remuneration Committee.

Remuneration Committee	Proposal	Result	The Company's Handling
2023/02/23	● The proposed compensation distribution for employees and directors for the year 2022.	All members agreed to approve	Submitted to the Board and approved by all the attending directors.
2023/04/27	● The proposed salary adjustment for 2023 for the Company's managers.	All members agreed to approve	Submitted to the Board and approved by all the attending directors.
2023/07/26	● The Company's discussion on director compensation. ● The Company's manager proposed the first half year performance bonus for 2023.	All members agreed to approve	Submitted to the Board and approved by all the attending directors.
2023/12/26	● The Company's manager proposes to distribute bonuses for the second half of 2023. ● Proposal to transfer treasury shares to employees.	All members agreed to approve	Submitted to the Board and approved by all the attending directors.

Other mentionable items:

1. If the Board does not adopt or resolve to amend the recommendation of the Remuneration Committee, it shall state the date of the Board meeting, the session of the meeting, the content of the motion, the Board resolution and the Company's



handling of the recommendation of the Committee (if the compensation approved by the Board is higher than the recommendation of the Committee, it shall state the difference and the reasons for the difference): None.

2. If the members of the Remuneration Committee have any objections or reservations to a resolution, and such objections or reservations are recorded or stated in writing, the date and date of the resolution, the content of the resolution, the opinions of all members of the Remuneration Committee and the treatment of the opinions of the members of the Remuneration Committee shall be stated: None.

Note: The actual attendance rate (%) is calculated based on the number of meetings of the Remuneration Committee and their actual attendance during their employment.

#### (5) Operation of the Sustainability Committee

1. In order to realise our vision of sustainable corporate management, the Company has established a Sustainability Committee in accordance with the Company's Code of Practice on Sustainable Development to oversee and manage the environmental, social and governance aspects of the Company's sustainable development and promotion. The Committee is a functional committee of the Board of Directors, chaired by the Chairman, with the Deputy Chairman being the General Manager and four independent directors as members, and meets at least twice a year to review the implementation of sustainable development.

Title	Name	Expertise
Chairperson(Director)	LIN, YUNG-CHIEH	Corporate governance, ESG operation management, business, technology, operation management, etc.
General Manager(Vice Director)	CHIU, SHU-HUI	Corporate governance, business, technology, operation management, etc.
Independent Director(Member)	CHEN, BI-FENG	Business, finance and accounting.
Independent Director(Member)	YAO, DE-CHANG	ESG operation management, business, technology, operation management, etc.
Independent Director(Member)	LIU, HSUEH-YU	Business, technology, operation management, etc.
Independent Director(Member)	CHIN, LAN-FANG	Legal affairs. business, operation management, etc.

2. The responsibilities of the Committee shall include the followings for the purpose of sustainable management:

- (1) To oversee the Group's vision, policies and objectives for sustainable development, as well as the preparation and amendment of the charter, code of conduct, code of conduct and other rules and regulations relating to sustainability.
- (2) To identify risks and opportunities in relation to the Group's sustainable development and deciding on strategies and investments in response.
- (3) To oversee the planning and implementation of the Group's sustainable development strategy.
- (4) To oversee the performance and disclosure of information on the Group's sustainable development.
- (5) To report to the Board on the Group's sustainable development work plans and performance of implementation.
- (6) Other matters resolved by the Board of Directors and handled by the Committee.

3. Information on the operation of the Sustainability Committee.

The term of the current committee members is from May 18, 2021, to May 17, 2024 (or until the election of new members at the 2024 shareholder's meeting). In

2023, the committee met twice (A). Attendance details are as follows:

Title	Name	Actual attendance (B)	By Proxy	Actual attendance Rate (B/A)	Note
Chairperson (Director)	LIN, YUNG-CHIEH	2	-	100%	
General Manager (Vice Director)	CHIU, SHU-HUI	2	-	100%	
Independent Director	CHEN, BI-FENG	2	-	100%	
Independent Director	YAO, DE-CHANG	2	-	100%	
Independent Director	LIU, HSUEH-YU	2	-	100%	
Independent Director	CHIN, LAN-FANG	1	-	100%	Newly appointed on July 26, 2023

(6) Implementation of Sustainable Development and Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons:

Promotional Items	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y	N	Abstract Explanation	
1. Does the Company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		The Company has established a Sustainability Committee in 2021, with the Chairman of the Board of Directors as the Chairman, and established a Sustainable Development Task Force, with senior executives in each area responsible for the implementation of the task force. The Company has a short-, medium- and long-term sustainable development plan and reports annually to the Board on its implementation during the year. The Board oversees the formulation of management policies, strategies and objectives for the sustainable development of the Company and the review of measures. Please refer to page 33 of this annual report for the operation of the Sustainability Committee in 2023.	None
2. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	✓		Please refer to page 82 of the Company's Annual Report - Risk Management section. On March 10, 2015, the company's board of directors approved the establishment of the "Corporate Social Responsibility Practice Guidelines" to fulfill corporate social responsibility and implement the guidelines' regulations. In response to the trend of sustainable development	None

Promotional Items	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y	N	Abstract Explanation	
			and corporate governance 3.0, the company revised the guidelines to "Sustainable Development Practice Guidelines" on May 31, 2021, as approved by the board of directors' resolution. On November 8, 2021, the board of directors resolved to issue the "Risk Management Policy and Procedures."	
3. Environmental issues				
(1) Does the Company establish proper environmental management systems based on the characteristic of its industry?	✓		(1) The Company's business is focused on IC design and is not engaged in manufacturing, which is a low-pollution industry. The Company has established an environmental and energy policy to ensure that its operations are conducted in a manner that enhances the use of resources and mitigates negative impacts on the environment, and has initiated various management plans through the Sustainability Committee. To further implement the management of a green office environment, ISO 14001 has been introduced in 2022 and undergo third-party certification in 2023. (Download available on Company website)	None
(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(2) The Company is committed to promoting environmental management. In terms of green office, such as the policy of e-documents, electronic signature system, use of recycled paper, use of environmentally friendly tableware, LED lighting, improvement of energy efficiency of equipment, implementation of centralized waste management and separate disposal, etc. For green products, the materials of the Company's products are 100% compliant with EU RoHS, REACH and HF requirements. The Company actively promotes green products and procurement, and reducing the use of hazardous substances.	None
(3) Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	✓		(3) Every year, the Company assesses the risks and opportunities related to climate change on its current and future operations, currently meeting the expectations of customers and stakeholders without being affected by related policy and legal changes	None

Promotional Items	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons															
	Y	N	Abstract Explanation																
(4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?	✓		<p>(such as provisions for major domestic electricity users). We independently adopt the TCFD framework for disclosing relevant climate risk information, detailed in the "Environmental Coexistence" section of the sustainability report. In 2024, an external professional consultancy team will enhance the disclosure of financial impacts, and we plan to publish an independent report (TCFD) in the first quarter of 2025. Furthermore, the Company continues to independently implement relevant response measures, such as replacing low-efficiency equipment, using LED energy-saving lighting, monitoring air conditioning systems, enhancing energy efficiency, turning off lights when idle for extended periods, implementing centralized waste management, recycling and sorting resources, paperless operations, and promoting related carbon reduction actions. In 2023, ISO 14064 was introduced to serve as a basis for future carbon reduction actions.</p> <p>(4) The Company has established environmental, safety and health and energy policies, and regularly tracks water, electricity and waste production. Targets are set for each environmental indicator and the results are reviewed regularly. StatistIC on greenhouse gas emissions, water consumption and total weight of waste for the last two years are as follows. For more details, refer to the "Environmental Coexistence" section of the sustainability report.</p> <p>● Taiwan Plant</p> <table><tr><th>Item</th><th>2022</th><th>2023</th></tr><tr><td>Water consumption (m3)</td><td>5,389</td><td>4,799</td></tr><tr><td>Use of electricity (kwh)</td><td>1,453</td><td>1,328</td></tr><tr><td>Amount of waste (tonnes)</td><td>61</td><td>61</td></tr><tr><td>Greenhouse gas emissions (tonnes of CO2) (Note)</td><td>729</td><td>658</td></tr></table>	Item	2022	2023	Water consumption (m3)	5,389	4,799	Use of electricity (kwh)	1,453	1,328	Amount of waste (tonnes)	61	61	Greenhouse gas emissions (tonnes of CO2) (Note)	729	658	None
Item	2022	2023																	
Water consumption (m3)	5,389	4,799																	
Use of electricity (kwh)	1,453	1,328																	
Amount of waste (tonnes)	61	61																	
Greenhouse gas emissions (tonnes of CO2) (Note)	729	658																	

Promotional Items	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y	N	Abstract Explanation	
			Note: The company has no production capacity and related emission are indirect.	
4. Social issues				
(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(1) The Company has established a Human Rights and Diversity Policy that recognises and supports internationally recognised human rights norms and principles, including the Universal Declaration of Human Rights, the United Nations Global Compact and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, etc. The Company has established a human rights policy that applies to the Company and its affiliated companies. In addition to providing a reasonable and safe workplace, the Company will provide reasonable and dignified treatment to its current employees. In addition, a grievance mechanism is in place so that employees can express their rights and opinions through the grievance channel at any time. Details are available on the Company's website.	None
(2) Does the Company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	✓		(2) The Company has established a reasonable salary and remuneration policy in accordance with relevant laws and regulations, and has set out clearly the relevant employee welfare measures in the "Working Rules". Please also refer to the Annual Report - Operation Overview - V. Labour Relations – 1-Employee Benefits.	None
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(3) The Company has established safety and health-related policies and work guidelines and has set up a comprehensive occupational health and safety management system (certified by a third party in 2023), providing a safe and healthy work environment for employees. Related initiatives include hazard identification for business activities, annual safety inspections for factory operations and fire equipment, biannual monitoring of the work environment (such as carbon dioxide, lead, lighting, noise levels), regular cleaning of office environments, weekly	None

Promotional Items	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y	N	Abstract Explanation	
(4) Does the Company provide its employees with career development and training sessions?	✓		<p>stationed professional nurses, quarterly medical consultations by doctors, annual health check-ups for employees, bi-weekly stress-relief massages, contractor management upon entering the factory, and providing relevant safety and health training. In 2023, health and safety training sessions totaled 392 attendees with a cumulative 864.7 hours. There were no fire incidents at the Company in 2023.</p> <p>(4) The Company offers comprehensive career capability development training programs, tailored according to aptitude, rank, and function. Please refer to the “Career Development” section on the Company's website. The Company has established the iLEARN online learning platform, providing a range of online and offline courses for managerial staff, recording each employee's training journey and constructing a robust career development blueprint; in 2023, a total of 270 practical courses were offered, with an average training duration of 14.6 hours per employee, marking a significant increase of 26% (11.6 hours) from the previous year.</p>	None
(5) Do the Company’s products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	✓		<p>(5) The Company's marketing and labelling of products and services are in accordance with relevant laws and regulations and international standards. An internal management system is in place (ISO 45001, ISO 27001). External communications can be conducted directly through the official website and business representatives, and reports can also be made through the Company's complaint mailbox (wb@fitipower.com).</p>	None
(6) Does the Company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety,	✓		<p>(6) The Company has established a supplier management policy and code of conduct. Before engaging in procurement activities with suppliers, besides requiring</p>	None

Promotional Items	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y	N	Abstract Explanation	
or labor and human rights? If so, describe the results.			suppliers to understand Fitipower's sustainability requirements, a Fitipower Sustainability Commitment is also signed. The Company evaluates suppliers' sustainability management and considers the results in procurement decisions. Additionally, a conflict minerals policy is in place for raw material procurement to ensure that the materials provided by suppliers do not contain conflict minerals; the Company also adheres to international green standards, ensuring that product raw materials comply with RoHS, REACH, and HF requirements, working together to establish a sustainable supply chain of mutual prosperity.	
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?	✓		The Company's corporate social responsibility efforts are disclosed in the annual report and on the Company website. Furthermore, while Fitipower is not yet listed among the companies required to issue a sustainability report, we still voluntarily discloses sustainability information (sustainability report) following the latest GRI standards, SASB, and TCFD frameworks, and has obtained a third-party assurance statement (AA1000), published on the Company website and Market Observation Post System (MOPS).	None
6. Describe the difference, if any, between actual practice and the sustainable development principles, if the Company has implemented such principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies: The Company's Board of Directors approved a revised Code of Practice on Sustainable Development on May 31 2021. There are no significant differences between the Code of Practice on Sustainable Development and the Code of Practice on Sustainable Development for Listed Companies, please refer to the Company's website - Sustainability Report <a href="https://www.fitipower.com/esg">https://www.fitipower.com/esg</a> .				
7. Other important information to understand the implementation of sustainable development: (For more information, please refer to the sustainability section on the Company's website, URL: <a href="https://www.fitipower.com/esg">https://www.fitipower.com/esg</a> ).				

## (7) Climate-Related Information for Exchange-Listed and OTC-Listed Companies

### 1. Implementation of Climate-Related Information

Items	Implementation Details
1. Describe the oversight and governance of climate-related risks and opportunities by the board of directors and management.	1. Fitipower has established a Sustainability Committee as a functional committee of the board, responsible for overseeing and managing climate-related issues, supervising climate change risks and opportunities, formulating corresponding policies, strategies, and setting short, medium, and long-term goals. The committee supervises departmental action plans, tracks performance regularly, and reports to the board. For more information, please refer to the Company's sustainability report.
2. Explain how identified climate risks and opportunities impact the company's business, strategy, and finances (short-term, medium-term, long-term).	2. As a fabless semiconductor company, to effectively assess risks and maximize benefits, it is necessary to establish a comprehensive management system focused on "green products" and "green office" initiatives, with goals set for the short (2024-2026), medium (2027-2029), and long term (post-2030). For example, in line with the national 2050 net-zero policy, many brand clients have started assessing and reducing the carbon footprint of their products, prompting downstream suppliers to undertake lifecycle carbon assessments and corresponding reduction measures.
3. Describe the financial impact of extreme climate events and transition actions.	3. Evaluation has not been implemented yet and is expected to be conducted in 2024.
4. Explain how the identification, assessment, and management processes for climate risks are integrated into the overall risk management system.	4. Fitipower has established a "Risk Management Policy and Procedures," integrating climate risks into these procedures to conduct financial impact assessments and disclosures. According to these guidelines, the company facilitates cross-departmental collaboration to collectively evaluate both internal and external risks. This involves consolidating a wide range of risk factors, including market fluctuations, operational challenges, investment risks, legal compliance, environmental concerns, operational hazards, and human resources considerations. Furthermore, the company formulates response strategies and implements regular monitoring and review mechanisms to proactively address these risks. These efforts include continuous monitoring and integration with internal audit and control functions. Additionally, annual results are reported to the board to ensure the effectiveness of risk management plans and related control operations.
5. If scenario analysis is used to assess resilience to climate change risks, explain the scenarios used, parameters, assumptions, analysis factors, and key financial impacts.	5. Not yet implemented; assessment methodology will be conducted in 2024.
6. If there is a transition plan in place to 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. Effective climate-related risk management requires robust data for assessment. Thus, we plan to establish a comprehensive management system and database. Besides completing ISO 14001 this year, in the short term, we plan to establish ISO 14064-1 and a robust TCFD; in the medium to long term, we expect to implement product carbon footprint introduction and renewable energy usage planning. Goals are set based on data evaluations to continuously improve. For green products, a carbon reduction benefits platform has already been established as a reference for product design. For green procurement, we set a target of 75% for IT equipment green procurement in 2022, with an target annual increase of 5%.
7. If internal carbon pricing is used as a planning tool, explain the basis for pricing.	7. None.



8. If climate-related targets are set, describe the activities covered, scopes of greenhouse gas emissions, planning timelines, and annual progress achieved; if carbon offsets or Renewable Energy Certificates (RECs) are used to meet these targets, explain the sources and amounts of carbon reduction or the number of RECs.	8. Short-term (2024-2026): -Obtain ISO 14064 certification (2025~) -Publish independent TCFD report (2025) -Achieve carbon assessment reductions of 5%/10%/20% for major products Medium-term (2027-2029): -100% coverage with ISO 14064; 100% assessment of Scope 3 items -Adopt the IFRS S2 framework -Achieve 100% carbon assessment for major products Long-term (2030~): -Achieve 50% carbon neutrality for Scopes 1 and 2 (increase by 10% annually, reaching carbon neutrality by 2035) -Reduce Scope 3 carbon emissions by 5% compared to 2027 (reduce by 5% annually, achieving carbon neutrality by 2050) -Reduce carbon emissions of major products by 5% annually
9. Greenhouse gas inventory verification and assurance situation, reduction targets, strategies, and specific action plans (additional details in sections 1-1 and 1-2).	

## 1-1 Greenhouse Gas Inventory and Assurance for the Past Two Years

### 1-1-1 Greenhouse Gas Inventory Information

Detail the greenhouse gas emissions for the last two years (in tonnes CO<sub>2</sub>e), intensity (tonnes CO<sub>2</sub>e per million NTD), and the data coverage scope:

Currently, the inventory is conducted internally and has not yet undergone third-party verification. The inventory data for 2024 is expected to be third-party verified, covering all Fitipower locations (including subsidiaries, with expected implementation by 2027).

Scopes	2023	2022
Scope 1	-	-
Scope 2	729 mt CO <sub>2</sub>	658 mt CO <sub>2</sub>

The above inventory boundaries are limited to the data from the Hsinchu headquarters.

Note 1: Direct emissions (Scope 1, emissions directly from sources owned or controlled by the company), energy indirect emissions (Scope 2, emissions from imported electricity, heat, or steam causing indirect greenhouse gas emissions), and other indirect emissions (Scope 3, emissions from company activities that are not from energy sources but from sources owned or controlled by other companies).

Note 2: Data covering direct and energy indirect emissions should be managed according to the schedule stipulated in Article 10, paragraph 2 of these standards, while other indirect emissions information may be voluntarily disclosed.

Note 3: Greenhouse gas inventory standards: Greenhouse Gas Protocol (GHG Protocol) or ISO 14064-1 issued by the International Organization for Standardization (ISO).

Note 4: The intensity of greenhouse gas emissions can be calculated per unit of product/service or based on revenue, but at a minimum, it should detail the data calculated based on revenue (in million NTD).

### 1-1-2 Greenhouse Gas Assurance Information

Detail the assurance situation for the last two years as of the date the annual report was printed, including assurance scope, assurance institution, assurance standards, and assurance opinions:

Third-party assurance has not yet been conducted.

## 1-2 Greenhouse Gas Reduction Targets, Strategies, and Specific Action Plans

Detail the baseline year for greenhouse gas reduction and its data, reduction targets, strategies, and

specific action plans, along with the status of achieving reduction targets: See climate-related information, item 8 for details.

(8) Fulfillment of Ethical Corporate Management and Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs				
1) Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?	✓		(1) On April 16, 2015, the Board of Directors of the Company approved the establishment of the Code of Conduct with Integrity to ensure that the conduct of the Company's directors and managers meets ethical standards and to enhance stakeholders' understanding of the Company's code of ethical conduct.	None
2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	✓		(2) For business activities with a higher risk of dishonest conduct within the scope of Article 7(2) of the "Code of Conduct for Listed Companies with Integrity" or other business activities, the Company has formulated relevant rules and regulations in the "Code of Conduct for Integrity in Listed Companies" to facilitate compliance by relevant personnel, and to enforce the Company's disciplinary system in the event of non-compliance.	None
3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	✓		(3) The Board of Directors' Meeting on March 10, 2015 approved the "Procedures and Guidelines for Integrity Management", which specify the operating procedures, guidelines for conduct, disciplinary actions and complaint system for non-compliance, and are implemented and regularly reviewed and revised in accordance with the law.	None
2. Fulfill operations integrity policy				
1) Does the company evaluate business partners' ethical records and include ethIC-related clauses in business	✓		(1) Before entering into a business relationship with a counterparty, the Company evaluates the legitimacy of the counterparty	None

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
contracts?			and whether there is any record of dishonest behavior, and specifies the terms of honest behavior in the contract.	
2) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	✓		<p>(2) To improve the management of honest management, the Company established the "Working Group for Promoting Honest Management" by the Management Center in 2023, which is responsible for the policy of honest management and preventive measures, and reports the implementation status to the Board of Directors once a year.</p> <p>In 2021, the Company implemented the following plans to implement its policy of honest management.</p> <ol style="list-style-type: none"> <li>1. All staff (including new recruits) are required to complete a training course and pass a test (including the "Code of Conduct for Integrity" and the "Procedures and Behavioural Guidelines for Integrity").</li> <li>2. The Management Division will regularly promote compliance with the law to all staff.</li> <li>3. Regular audits by internal auditors and annual internal control audits by accountants.</li> <li>4. Complaints are handled and no breach of integrity has been received in 2023.</li> </ol>	None
3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		(3) The Company has established the "Operating Procedures and Conduct Guidelines for Integrity" as a guide for employees to follow when conducting business, and has set up a whistleblowing mailbox on the Company's website as a reporting channel.	None
4) Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the	✓		(4) The Company has established an effective accounting system and internal control system, which is reviewed from time to time to ensure that the system is designed and implemented in an effective manner. Internal auditors regularly review the	None

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
<p>systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?</p> <p>5) Does the company regularly hold internal and external educational trainings on operational integrity?</p>	√		<p>compliance of the former system and prepare audit reports to the Board of Directors</p> <p>(5) In order to establish an ethical corporate culture and strengthen the promotion of management, the Company has been conducting regular ethical management education and training since 2021. The course includes the Company's "Code of Conduct for Ethical Management" and "Ethical Management Procedures and Conduct Guidelines". In 2023, the cumulative number of newcomers attending classes was 96, with a total of 31.7 hours of study.</p>	None
<p>3. Operation of the integrity channel</p> <p>1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>2) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?</p> <p>3) Does the company provide proper whistleblower protection?</p>	√		<p>(1) The Company has established a specific whistleblowing and reward system in the "Integrity Procedures and Practices Guide", a whistleblowing mailbox (wb@fitipower.com), and assigned appropriate staff to receive reports against the subject of the report.</p> <p>(2) The Company has established standard operating procedures for the investigation of whistleblowing matters and the related confidentiality mechanism in the "Procedures and Practices for Integrity Management".</p> <p>(3) The Company's staff handling the report shall declare in writing that the identity of the whistleblower and the content of the report shall be kept confidential, and the Company shall undertake to protect the whistleblower from being improperly dealt with as a result of the report.</p>	<p>None</p> <p>None</p> <p>None</p>
<p>4. Strengthening information disclosure</p> <p>1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?</p>	√		<p>(1) The Company has disclosed the contents of the Code of Conduct and the effectiveness of its promotion through the Company's website.</p>	None

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation:				
On April 16, 2015, the Board of Directors of the Company established the "Code of Conduct with Integrity" and has been implemented the regulation since then.				
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies:				
The Company will keep abreast of the development of domestic and international ethical practices and encourage its directors, managers and employees to make suggestions to review and improve the Company's ethical policies and measures to enhance the effectiveness of the implementation of the Company's ethical practices.				

(9) Where a company has a code of corporate governance and related regulations, it should disclose how to make enquiries about them.

The Company has established a Code of Corporate Governance Practices and relevant information is disclosed on the Market Observation Post System.

(10) Other important information regarding corporate governance: None.

(11) Implementation Status of Internal Control System

#### 1. Statement of Internal Control System:

**Fitipower Integrated Technology Inc.**  
**Statement of Internal Control System**

Date: Feb. 27, 2024

Based on the findings of a self-check, the Company states the following with regard to its internal control system during the year of 2023:

- I. The Company acknowledges that the Company's Board of Directors and the managerial officers are responsible for establishing, implementing, and maintaining an adequate internal control system, and the Company has established such system. The objectives of internal control system include achieving various objectives in business benefits and efficiency (including profitability, performance, and protection of security for assets), ensuring the reliability, timeliness, transparency, and regulatory compliance of reporting, and providing reasonable assurance.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the three aforementioned 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 the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as 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 comprises a few different items. For more information concerning the items, please refer to the Regulations.
- IV. The Company has already adopted the aforementioned Regulations to evaluate the effectiveness of its internal control system design and operating effectiveness.
- V. Based on the findings of the aforementioned evaluation, the Company believes that, on December 31, 2023, it has 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 operating effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
- VI. This statement is an integral part of the Company's annual report 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 Transaction Act.
- VII. This statement was passed by the Board of Directors in the meeting held on Feb. 27, 2024, with none of the six attending Directors expressing dissenting opinions. The remainder all affirmed the content of this statement.

Fitipower Integrated Technology Inc.

Chairperson: LIN, YUNG-CHIEH

President: CHIU, SHU-HUI



**2. If an accountant is appointed to review the internal control system, the accountant's review report shall be disclosed:** None.

(12) For the most recent year and as of the date of the annual report, the Company and its internal personnel have been punished by law, or the Company has imposed penalties on its internal personnel for violating the provisions of the internal control system, and the results of such penalties may have a significant impact on shareholders' equity or securities prices, the contents of the penalties, major deficiencies and improvements should be listed: None.

(13) For the most recent year and as of the date of the annual report, major resolutions of shareholders' meeting and board meetings:

On May 31, 2023, matters resolved by all shareholders present at ordinary general meetings and subsequent implementation.

Resolutions	Implementation
1. Passed the resolution on the business reports and financial statements for 2022.	The resolution was passed.
2. Passed the resolution on the distribution of profits for 2022.	Shareholders will receive a cash dividend of 8.5 dollars per share, to be distributed on July 26, 2023.
3. Approval of the proposal to conduct a cash capital reduction and return share capital to shareholders	The cash capital reduction ratio is 35% (shareholders can receive a return of NT\$3.5 per share). For every thousand shares, 650 shares will be issued (a reduction of 350 shares per thousand) and a return of share capital of NT\$3,500. Date for issuance of new shares and their trading, and the last trading day for reduced shares: September 18, 2023. Date of distribution for the cash capital reduction return of share capital: September 18, 2023.
4. Approved the amendment to the "Rules of Procedure of the Shareholders' Meeting	In accordance with the amended Articles of Association.
5. Approval of the by-election of independent director	The newly elected independent director is CHIN, LAN-FANG, with a term starting from May 31, 2023, to May 17, 2024 (or until the 2024 shareholder meeting when new elections occur, aligning with the current board term).
6. Passed the resolution on lifting the non-competition restrictions for directors.	The resolution was passed.

Date	Type of Meeting	Major Resolutions
2023/2/23	Board Meeting	<ol style="list-style-type: none"> <li>1. Distribution of employee and director remuneration for 2022.</li> <li>2. Business reports and financial statements for 2022.</li> <li>3. Lifting of the non-competition restrictions for directors.</li> <li>4. By-election for independent directors.</li> <li>5. Convening the 2023 Annual Shareholders Meeting.</li> <li>6. Assessment of the effectiveness of the company's internal control system for 2022 and the internal control system statement.</li> </ol>
2023/4/19	Board Meeting	<ol style="list-style-type: none"> <li>1. 2022 Earnings Distribution Plan.</li> <li>2. Proposal to conduct cash capital reduction and return share prices to shareholders.</li> <li>3. Matters related to the nomination and vetting of independent director candidates.</li> <li>4. Amendment to the "Rules of Procedure for Shareholder Meetings".</li> <li>5. Proposal for lifting of non-competition restrictions for directors</li> <li>6. Amendment to the notice of reasons for the 2023 regular meeting of shareholders.</li> </ol>
2023/4/27	Board Meeting	Financial statements for the first quarter of 2023.
2023/7/26	Board Meeting	Financial statements for the second quarter of 2023.
2023/10/25	Board Meeting	Financial statements for the third quarter of 2023.
2023/12/26	Board Meeting	<ol style="list-style-type: none"> <li>1. Resolution to donate to the "Fitipower Environmental Foundation."</li> <li>2. Proposal to transfer treasury shares to employees.</li> </ol>
2024/2/27	Board Meeting	<ol style="list-style-type: none"> <li>1. The distribution of employees and board directors' compensation of 2023.</li> <li>2. 2023 Business Report and Financial Statements.</li> <li>3. Amendment to the "Articles of Incorporation".</li> <li>4. Re-election of Directors.</li> <li>5. Convening the 2024 Regular Meeting of Shareholders.</li> <li>6. Proposal to increase capital in a subsidiary.</li> <li>7. Assessment of the effectiveness of the internal control system for the year 2023 and the declaration of the internal control system.</li> </ol>
2024/4/18	Board Meeting	<ol style="list-style-type: none"> <li>1. 2023 Earnings Distribution Plan.</li> <li>2. Proposal to conduct a private placement of common shares for cash capital increase.</li> <li>3. Matters related to the nomination and vetting of director and independent director candidates.</li> <li>4. Proposal for lifting of non-competition restrictions for newly elected directors.</li> <li>5. Addition of items to the notice of reasons for the 2023 regular meeting of shareholders.</li> </ol>

(14) Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors: None.



(15) Resignation or Dismissal of the Company's Key Individuals, Including the Chairperson, President, and Heads of Accounting, Finance, Internal Audit and R&D: None.

## 5. Information Regarding the Company's Audit Fee and Independence

Unit: NT\$ thousands

Name of Accounting Firm	Name of CPA	Period Covered by CPAs' Audit	Audit Fee	Non-audit Fee	Total	Note
KPMG in Taiwan	HSIAO, PEI-JU	2023/01/01~ 2023/12/31	3,320	2,693	6,013	(Note)
	LI, FANG-YI					

Note: Non-audit fees are mainly for income tax and transfer pricing tax services for profit-making businesses.

- (1) If the non-audit fees paid to the certifying accountant, the certifying accountant's firm and its affiliates amount to more than one-fourth of the audit fees, the amount of audit and non-audit fees and the content of non-audit services should be disclosed: See the table above.
- (2) If the audit fee paid in the year of change of accounting firm is less than the audit fee paid in the year before the change, the amount of audit fee before and after the change and the reasons for the change should be disclosed: None.
- (3) If the audit fee has decreased by 15% or more from the previous year, the amount, percentage and reason for the decrease should be disclosed: None.

## 6. Replacement of CPA:

### 1. About the Former Certified Public Accountant (CPA)

Change Date	February 23, 2023		
Reason and Explanation for Change	Internal job reassignments within the accounting firm led to the replacement of accountants CHOU, PAO-LIEN and MEI, YUAN-CHEN with HSIAO, PEI-JU and LI, FANG-YI.		
Explanation of Termination or Non-Acceptance of Appointment	Parties Involved Situation	Accountant	Appointer
	Voluntary termination of appointment	N/A	N/A
	No longer accepting (continuing) appointment	N/A	N/A
Opinions in Audit Reports Other Than Unqualified Opinions Issued Within the Last Two Years	None.		
Disagreements with the Issuer	Yes	<input type="checkbox"/> Accounting principles or practices	
		<input type="checkbox"/> Financial reporting disclosure	
		<input type="checkbox"/> Audit scope or procedure	
		<input type="checkbox"/> Other	
	No	<input checked="" type="checkbox"/>	

	Explanation:
Other Disclosure Items (Items that need to be disclosed according to Article 10, subparagraph 6, item 1-4 to 1-7)	None.

## 2. About the Successor Accountant

Firm name	KPMG Taiwan
Accountant name	HSIAO, PEI-JU and LI, FANG-YI
Date of appointment	February 23, 2023
Consultations and results on specific transaction accounting treatment or accounting principles before appointment	None.
Written opinion of successor accountant on disagreements with former accountant	None.

3. Reply from the Former Accountant Regarding Issues under Article 10, Subparagraph 6, Item 1 and 2-3 of these Regulations: None.

**7. Where the company's chairperson, president, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPAs or at an affiliated enterprise of such accounting firm:** None.

**8. Any transfer of equity interests and pledge and change in equity interests by a director, managerial officer, or shareholder with a stake of more than 10 percent**

(1) Changes in the shareholding status of directors, managers and major shareholders

Units: Shares

Title	Name	2023 (Note 3)		By March 31, 2024	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairperson and CEO	LIN, YUNG-CHIEH	(530,761)	-	-	-
Director	Hong Yang Investment INC.	-	-	N/A	N/A
	Rept.: LIU, JIN-XUN (Note 1)	-	-	N/A	N/A
Director	Hong Yang Investment INC.	-	-	N/A	N/A
	Rept.: LUO, WEN-WEI (Note 1)	-	-	N/A	N/A
Director and General Manager	CHIU, SHU-HUI	(393,476)	-	-	-
Independent Director	YAO, DE-CHANG	-	-	-	-
Independent Director	CHEN, BI-FENG	-	-	-	-

Title	Name	2023 (Note 3)		By March 31, 2024	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Independent Director	LIU, HSUEH-YU	-	-	-	-
Independent Director	CHIN, LAN-FANG	-	-	-	-
Vice General Manager	TSAI, KUN-HSIEN	(264,306)	-	-	-
Vice General Manager	CHANG, KUEI-KAI	46,500	-	-	-
Associate Manager	HSU, CHONG-MING	(49,530)	-	(5,000)	-
Associate Manager	LIN, XIN-JIE (Note 2)	-	-	N/A	N/A
Accounting Manager	CHEN, PO-CAN	-	-	-	-
Head of Corporate Governance	CHEN, YI-HUI	-	-	-	-

Note 1: Corporate director representatives LIU, JIN-XUN and LUO, WEN-WEI resigned on June 15, 2023.

Note 2: Manager LIN, XIN-JIE was dismissed in 2023.

Note 3: The reduction in shareholding in 2023 was primarily due to the cash capital reduction conducted.

(2) Information on transfer of shareholdings:

Name	Reasons for Transfer of Equity	Transaction Date	Trading Relatives	Relationship between the counterparty and the Company, its directors, supervisors, managers and shareholders holding more than 10 percent of the shares	Number of shares	Price
LIN, YUNG-CHIEH	Gift	2023/2/23	YEH, JIA-JING	Spouse	250,000	0

(3) Information on pledge of equity interest: None.

**9. Information on the shareholders among the top ten in terms of shareholding proportion who are related parties or have familial relationships within the second degree of kinship:**

April 2, 2024 Units: Shares; %

Name	Current Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Hong Yang Investment INC.	8,352,000	6.89	-	-	-	-	BAO XIN International Investment INC. Hong Chi International Investment INC.	Subsidiary of HON HAI PRECISION INDUSTRY CO., LTD.	
Rept.: HUANG, DE-TSAI	-	-	-	-	-	-	BAO XIN International Investment INC. Hong Chi International Investment INC.	Chairman of the company listed on the left Chairman of the company listed on the left	
BAO XIN International Investment INC.	6,851,000	5.65	-	-	-	-	Hong Yang Investment INC. Hong Chi International Investment INC.	Subsidiary of HON HAI PRECISION INDUSTRY CO., LTD.	

Name	Current Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Rept.: HUANG, DE-TSAI	-	-	-	-	-	-	Hong Yang Investment INC. Hong Chi International Investment INC.	Chairman of the company listed on the left Chairman of the company listed on the left	
Hong Chi International Investment INC.	6,465,024	5.33	-	-	-	-	Hong Yang Investment INC. BAO XIN International Investment INC.	Subsidiary of HON HAI PRECISION INDUSTRY CO., LTD.	
Rept.: HUANG, DE-TSAI	-	-	-	-	-	-	Hong Yang Investment INC. BAO XIN International Investment INC.	Chairman of the company listed on the left Chairman of the company listed on the left	
Qun Yi Investment INC.	5,850,000	4.82					-	-	
Rept.: HUNG, JIN-YANG	-	-	-	-	-	-	-	-	
Citibank (Taiwan) Commercial Bank in custody for the external manager account of Neuberger Berman Europe Ltd. under Norges Bank (Central Bank of Norway)	3,179,927	2.62	-	-	-	-	-	-	
New Labor Pension Fund's first full discretionary mandate in 2022 was entrusted to the First Bank	2,422,820	2.00	-	-	-	-	-	-	
Chang Hwa Commercial Bank Limited in custody for the Yuanta Taiwan High-yield Leading Company Fund	1,608,450	1.33	-	-	-	-	-	-	
UPAMC Optima Fund	1,395,000	1.15	-	-	-	-	-	-	
JPMorgan Chase Bank, N.A., Taipei Branch in custody for the Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1,369,121	1.13	-	-	-	-	-	-	
Citibank (Taiwan) Commercial Bank in custody for the Koppa Bifa Investment Account.	1,187,000	0.98	-	-	-	-	-	-	

**10. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company:**

Dec. 31, 2023 Unit: 1,000 shares; %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Trade Logic Limited	30	100.00	-	-	30	100.00
VST	23,000	89.16	-	-	23,000	89.16
Ever Harvest Limited	10,000	100.00	-	-	10,000	100.00
JADARD (Shengzhen)	223,216	54.57	12,338	3.02	235,554	57.59
Hefei JADARD Microelectronics Co.	(Note1)	54.57	-	-	(Note)	54.57
JADARD Technology Inc.	9,200	54.57	-	-	9,200	54.57
JADARD (Xiamen)	(Note1&2)	54.57	-	-	Note	54.57
Jadeite Investment Inc.	50,000	100.00	-	-	50,000	100.00

Note1: Not in the form of a joint stock company, so there are no shares.

Note2: JADARD (Xiamen) completed its liquidation process in December 2023.

## IV. Capital Overview

### 1. Capital and Shares

#### (1) Source of Capital

##### 1. Share Type

April 2, 2024 ; Unit: shares

Share Type	Authorized Capital			Remark
	Outstanding Shares (Note)	Unissued Shares	Total	
Ordinary shares	121,254,453	178,745,547	300,000,000	Belonging to the stock of a listed company

Note: Including 189,850 shares of treasury stock

##### 2. Share capital formation

Unit: 1,000 shares; NT\$ thousands

Month/Year	Par-Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Date of Approval and Number of Approval
2018.04	10	150,000	1,500,000	141,497	1,414,968	Cancellation of Restricted Staff New Shares \$441,000	None	2018.04.10Chu-shan-tzu-20180010638
2018.08	10	150,000	1,500,000	141,402	1,414,020	Cancellation of Restricted Staff New Shares \$948,000	None	2018.08.21Chu-shan-tzu-20180024240
2018.11	330	200,000	2,000,000	160,426	1,604,260	Cash capital increase of NT\$189,000,000 and new shares with no compensation restriction on employee rights of NT\$1,240,000	None	2018.11.13Chu-shan-tzu-20180033451
2018.11	10	200,000	2,000,000	160,404	1,604,036	Cancellation of Restricted Staff New Shares \$224,000	None	2018.11.27Chu-shan-tzu-20180034309
2018.12	0	200,000	2,000,000	162,861	1,628,606	Issue of new shares with no compensation restriction on employee rights of \$24,570,000	None	2018.12.18 Chu-shan-tzu-1070036692
2019.04	10	200,000	2,000,000	162,839	1,628,389	Cancellation of Restricted Staff New Shares \$217,000	None	2019.04.08Chu-shan-tzu-20190009645
2019.08	10	200,000	2,000,000	162,736	1,627,365	Cancellation of Restricted Staff New Shares \$1,024,000	None	2019.08.21Chu-shan-tzu-20190024299
2019.12	2010	200,000	2,000,000	165,687	1,656,875	Issue of new shares with restricted employee rights to increase capital by \$30,000,000 and cancellation of new shares with restricted employee rights to reduce capital by \$490,000	None	2019.12.17Chu-shan-tzu-20190036185
2020.04	10	200,000	2,000,000	165,625	1,656,248	Cancellation of new shares with restricted staff rights reduces capital by \$627,000	None	2020.04.10Chu-shan-tzu-20200009456
2020.08	10	200,000	2,000,000	165,549	1,655,492	Cancellation of Restricted Employee Rights New Shares Capital Reduction of \$756,000	None	2020.08.18Chu-shan-tzu-20200023627

Month/ Year	Par- Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Date of Approval and Number of Approval
2020.12	35 10	200,000	2,000,000	166,588	1,665,880	Issue of new shares with restricted employee rights to increase capital by \$10,570,000 and cancellation of new shares with restricted employee rights to reduce capital by \$182,000	None	2020.12.17Chu-shan-tzu-20200035500
2021.05	10	300,000	3,000,000	166,558	1,665,579	Cancellation of Restricted Employee Rights New Shares Reduction of \$301,000	None	2021.05.26Chu-shan-tzu-20210014797
2021.08	255 10	300,000	3,000,000	186,545	1,865,453	Capital increase of \$200,000,000 in cash and capital reduction of \$126,000 by cancelling new shares with restricted employee rights	None	2021.08.20Chu-shan-tzu-20210023728
2023.08	10	300,000	3,000,000	121,254	1,212,545	Capital decrease of \$652,909 in cash	None	2023.08.09 Chu-shan-tzu-1120026210

(2) Structure of Shareholders

April 2, 2024

Shareholder Structure Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	5	2	265	38,994	223	42,530
Shareholding	4,176,295	27,000	40,336,268	56,518,771	20,196,119	121,254,453
Percentage	3.44	0.02	33.26	46.62	16.66	100.00

Note: The shares held include 189,850 shares of treasury stock.

(3) Shareholding Distribution Status

April 2, 2024

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding	Percentage
1 - 999	23,814	6,342,412	5.23
1,000 - 5,000	13,759	24,738,636	20.40
5,001 - 10,000	1,073	7,844,234	6.47
10,001 - 15,000	311	3,868,405	3.19
15,001 - 20,000	140	2,518,280	2.08
20,001 - 30,000	134	3,361,688	2.77
30,001 - 40,000	79	2,778,214	2.29
40,001 - 50,000	34	1,537,196	1.27
50,001 - 100,000	60	4,145,481	3.42
100,001 - 200,000	28	3,977,100	3.28
200,001 - 400,000	31	8,863,668	7.31
400,001 - 600,000	4	1,990,986	1.64
600,001 - 800,000	4	3,023,457	2.49
800,001 - 1,000,000	6	5,457,554	4.50
1,000,001 or over	12	40,807,142	33.66
Total	39,489	121,254,453	100.00

Note: The shares held include 189,850 shares of treasury stock.

## (4) List of major shareholders

April 2, 2024

Shareholding's Name	Shareholding	Percentage
Hong Yang Investment INC.	8,352,000	6.89
Bao Xin Investment INC.	6,851,000	5.65
Hong Chi Investment INC.	6,465,024	5.33
Chun Yi Investment INC.	5,850,000	4.82
Citibank (Taiwan) Commercial Bank in custody for the external manager account of Neuberger Berman Europe Ltd. under Norges Bank (Central Bank of Norway)	3,179,927	2.62
New Labor Pension Fund's first full discretionary mandate in 2022 was entrusted to the First Bank	2,422,820	2.00
Chang Hwa Commercial Bank Limited in custody for the Yuanta Taiwan High-yield Leading Company Fund	1,608,450	1.33
UPAMC Optima Fund	1,395,000	1.15
JPMorgan Chase Bank, N.A., Taipei Branch in custody for the Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1,369,121	1.13
Citibank (Taiwan) Commercial Bank in custody for the Koppa Bifa Investment Account.	1,187,000	0.98

## (5) Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$ thousands; 1,000 shares

Year		2022	2023	By March 31, 2024 (Note 3)
Item				
Market Price per Share (Note 1)	Highest Market Price	289.00	302.00	284.00
	Lowest Market Price	87.00	116.00	225.00
	Average Market Price	156.00	187.92	246.04
Net Worth per Share	Before Distribution	93.43	143.12	-
	After Distribution	84.93	(Note 2)	-
Earnings per Share	Weighted Average Shares	186,176	161,741	-
	Earnings per Share	16.49	13.29	-
Dividends per Share	Cash Dividends	8.50	(Note 2)	-
	Stock Dividends	Profit distribution	-	-
		Capital reserve distribution	-	-
	Accumulated Undistributed Dividends		-	-
Return on Investment	Price / Earnings Ratio	9.46	14.14	-
	Price / Dividend Ratio	18.35	(Note 2)	-
	Cash Dividend Yield Rate	5.45%	(Note 2)	-

Note 1: The information is from the website of the Taiwan Stock Exchange.

Note 2: The 2023 annual earnings distribution has been approved by the board of directors and has not yet been approved by the shareholders at the annual general meeting.

Note 3: Current quarter information as of the publication of the annual report.



(6) Dividend Policy and Implementation Status:

1. Dividend Policy in the Articles of Incorporation

In accordance with the Company's current and future development plans, taking into account the investment environment, capital requirements and domestic and international competition, and taking into account the interests of shareholders, the Company will distribute no less than 20% of the distributable earnings to shareholders each year, including cash dividends of no less than 10% of the total dividends.

2. Proposed Distribution of Dividends

The Board of Directors' Meeting on April 18, 2024 has proposed to distribute cash dividends of NT\$10.64 per share for 2023, and the proposed distribution is up to NT\$1,288,127 thousand. The proposed distribution will be made in accordance with the relevant regulations upon the approval of the shareholders' meeting on May 31, 2024.

3. Expected material change in dividend policy to be specified: None.

(7) The effect of the proposed gratis allotment of shares at the shareholders' meeting on the Company's operating results and earnings per share

There is no proposed nil-paid allotment of shares at the AGM and is therefore not applicable.

(8) Remuneration of Employees, Directors and Supervisors

1. Information Relating to Employee Bonus and Directors' Remuneration in the Articles of Incorporation:

Subject to the provisions of the Articles of Association of the Company, a sum not less than five percent. shall be paid to the employees and not more than one percent. shall be paid to the Directors in respect of any profit made in the year. Provided that in the event of accumulated losses the Company shall retain in advance an amount to cover such losses.

Such remuneration may be in the form of shares or cash and may be paid to employees of subordinate companies who satisfy certain conditions. The foregoing remuneration of directors shall be payable in cash only.

2. The basis for estimating the amount of compensation to employees and directors, the basis for calculating the number of shares distributed as compensation to employees, and the accounting treatment if the actual amount of distribution differs from the estimated amount

(1) The amount of remuneration to employees and directors is estimated on the basis of net profit after taxation, after taking into account factors such as legal reserve, and in accordance with the percentage set out in the Articles.

(2) The number of bonus shares allotted to employees is calculated based on the fair value per share as of the date of the shareholders' meeting in accordance with International Financial Reporting Standard No. 2 (IFRS 2), "Share-based Payment", using valuation techniques and other methods, in accordance with Jin-Guan-Zheng-Zheng-Zi No. 1010059296 on December 28, 2012. Staff bonus less than one share is paid in cash.

(3) If, after the end of a year, there is a material change in the amount approved by the Board of Directors, the change is adjusted against the amount originally provided for in the year. If there is still a change in the amount at the date of the shareholders' meeting, the change is treated as a change in accounting estimate and is adjusted in the year in which the shareholders' meeting resolves.

3. Profit Distribution for Employee Bonus and Directors' Remuneration Approved in Board of Directors Meeting

(1) Employees' and directors' remuneration distributed in cash or stock;

If the amount differs from the amount estimated in the year in which the expense is recognized, the amount of the difference, the reason for the difference and the treatment of the difference should be disclosed.

At the Board of Directors' meeting on Feb. 27, 2024, the Company resolved to distribute \$136,132 thousand in employees' remuneration and not to distribute directors' remuneration, which will be done in accordance with the relevant regulations after the

shareholders' meeting on May 31, 2024.

The total amount of directors' and employees' emoluments shown above is consistent with the original estimate of fees for 2023 and there is no difference yet.

- (2) The amount of employee compensation distributed in stock and its proportion to the aggregate amount of net income after tax and total employee compensation in the individual or individual financial statements for the period:

No resolution has been made to distribute employees' remuneration in shares and is therefore not applicable.

4. The actual allotment of employees' and directors' remuneration for the previous year (including the number, amount and price of shares distributed), the number of differences between them and the recognition of employees' and directors' remuneration, together with a description of the differences, the reasons for them and the circumstances in which they were dealt with:

Unit: NT\$ thousands

Item	2023 actual distribution	Recognized in 2022	Difference
Employee Cash Remuneration	201,488	201,488	-
Directors' remuneration	-	-	-

- (9) The situation regarding the Company's repurchase of its own shares

Completed items:

March 31, 2024

Buyback Period	1 <sup>st</sup>
Purpose of Buyback	Transfer of shares to employees
Buyback Period	2020/03/30--2020/05/18
Buyback Interval Price	NT\$20 to NT\$40 per share
Type and number of shares bought back	369 thousand shares
Amount of shares bought back	NT\$ 9,449 thousands
Number of shares bought back as a percentage of the number of shares scheduled to be bought back (%)	7.38%
Number of shares cancelled and transferred	50 thousand shares
Cumulative number of shares held by the Company	190 thousand shares
Cumulative number of shares held by the Company as a percentage of the total number of issued shares	0.16%

Note: The Company originally repurchased 369,000 shares. After the cash capital reduction and share capital return conducted in 2023, the remaining treasury stock balance is 240,000 shares. The total cost of the repurchase was adjusted from NT\$9,449,000 to NT\$8,158,000.

**2. Corporate Bonds: None.**

**3. Preferred Shares: None.**

**4. Global Depositary Receipts: None.**

**5. Employee Stock Options: None.**

**6. Restricted Stock Awards:**

**7. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.**

**8. Financing Plans and Implementation: None.**

## V. Operations Overview

### 1. Business Activities

#### 1) Scope of business

##### 1. The principal elements of the Company's business

CC01080 Electronic Parts and Components Manufacturing

F401010 International Trade

Research, development, production, manufacture and sale of the following products:

(1) Integrated circuits for total service digital network systems.

(2) Memory ICs for communications.

(3) Analog/digital hybrid ICs.

(4) Customer-commissioned designs, consumer ICs, microcomputer peripheral ICs.

(5) Import and export business related to the Company's business.

##### 2. Business percentage

Unit: NT\$ thousand;%

Item \ Year	2023	
	Revenue	Revenue proportion
Display Driver IC	11,960,384	73.44
Power Management IC	2,367,289	14.54
Other related semiconductor	1,958,847	12.03
Total	16,286,520	100.00

#### 3. Current products (services) of the Company

(1) Display driver ICs: Mainly includes large-size source driver IC, large-size gate driver ICs, and medium-size driver IC.

(2) Power management ICs: Mainly includes switching regulator ICs, linear regulator ICs, power management integrated components, various motor driver ICs, panel power management ICs, e-book power management ICs, and LED driver ICs, etc.

(3) Other related semiconductors: Mainly includes timing control ICs (Tcon) and e-book display driver IC.

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

##### (1) Display driver IC

A. Innovative intelligent charge recovery control technology power-saving driver IC

B. 8-bit 2886ch panel driver IC with built-in timing control

C. 6/8-bit high-speed interface 1452ch, 1926ch source driver IC

D. Innovative multi-chip synchronous testing technology driver IC

E. P2P 4Gbps TV & MNT panel driver IC

##### (2) Power management ICs

A. Brushless DC motor driver and control ICs based on M0+ MCU.

B. DDR5 modules, power management ICs.

C. High voltage LDO and step-down ICs for industrial and automotive applications.

D. High voltage DC motor driver ICs.

E. 40V high current DC step-down ICs.

F. Wearable devices, integrated power management ICs.

G. Color e-book power management ICs.

H. Low-power laptop power management IC

- (3) Other related semiconductors
  - A. eDP 1.2 high refresh rate timing control IC
  - B. eDP 1.5 high-end timing control IC

## 2) Industry overview

### 1. Current industry status and development

The Company focuses on niche products such as display driver ICs, power management ICs, and other related semiconductors. The back-end applications include various consumer and industrial products, and the breadth and diversity of the product lines have made it a medium-to-large IC design company. According to the survey of the 2023 Taiwan IC Design Industry Policy White Paper, the total revenue of Taiwan's semiconductor industry value chain in 2022 reached 174.8 billion US dollars. Among them, the total revenue of the IC design industry ranks second, accounting for about 23%, which is another development pillar following the foundry industry, and its output value has grown about 200 times since 1990. Overall, the combined revenue of IC design, foundry, and IC packaging and testing accounts for nearly 90% of the total revenue of Taiwan's semiconductor industry. In addition, IP/EDA and semiconductor materials and equipment industries are led by foreign companies, and the revenue scale of local Taiwanese companies is relatively limited.

Observing the product distribution of Taiwan's IC design industry, about 60% of IC design companies invest in digital ICs, mainly including mobile phone APs, TV SoCs, display driver ICs (DDI), wireless communication, etc., contributing to about 80% of Taiwan's IC design industry revenue, which is the main IC type that assists in the implementation and popularization of global information and communication products. In addition, nearly 40% of the companies invest in analog IC products such as power management and high-speed transmission interface ICs, but their revenue accounts for only 11%. As for memory and sensors, although some Taiwanese companies invest in development, the number and revenue share are lower than digital and analog ICs.

Looking back at 2023, the global semiconductor market faced headwinds, dealing with geopolitical and macroeconomic uncertainties. According to DIGITIMES, the combined revenue for the global IC design and IDM industry reached \$523 billion in 2023, marking an 8.9% decrease from 2022. Looking ahead to 2024, driven by demand for AI application chips and memory, global semiconductor revenue is expected to exceed \$600 billion, representing a 17.3% increase, returning to a growth trajectory. In terms of global semiconductor industry shares in 2023, the United States accounted for nearly 60%, making it the largest stakeholder; South Korea followed with 12%, which is expected to increase to 16% in 2024 due to a recovery in the memory market; Europe and other regions (11%), Taiwan (7%), Japan (6%), and China (4%) may remain stable or see slight declines. In 2023, AI applications emerged as a bright spot supporting the semiconductor market. NVIDIA's revenue benefited significantly from a surge in AI server shipments, driving strong demand for high-end GPUs and successfully displacing Intel from its long-held leadership position. Continued robust demand for AI applications is expected to keep NVIDIA at the forefront of global semiconductor revenue.

Taiwan has long been a crucial part of the AI server supply chain and possesses superior IC design capabilities, especially as edge computing is increasingly integrated into every aspect of life. The significance of Taiwan's IC design industry is set to grow. Fitipower Integrated Technology is also launching related products, which will progressively increase its influence on the overall industry.

## (1) Display Driver IC

The geopolitical situation worsened in 2023, continuously disrupting demand, leading to reduced needs for personal and laptop computers. With inflation slowing and only tepid economic growth, even though manufacturers have moved past the phase of digesting inventory, the control of production and pricing by panel manufacturers led to a decrease in overall shipments in 2023. Shipments and supply-demand balances are expected to return to seasonal cycles by 2024.

In 2023, Fitipower Integrated Technology continued its focus on low-power technology in information technology products, successfully developing a built-in level shifter and dual gate P2P driver IC for laptops. Due to the high requirements for GSM/EMI/ESD verification in these products, the design of the driver chips not only emphasizes their power consumption specifications but also their performance concerning EMI/GSM standards. For high-refresh-rate monitors, Fitipower has introduced low-voltage high-frequency mini LVDS driver IC products supporting FHD/QHD at 100Hz.

In the post-pandemic era, the demand for high-end business laptops and high-refresh-rate gaming personal computers will gradually increase. Fitipower Integrated Technology's future IC development will keep pace with the market, moving towards high specifications and customization, focusing on high-resolution, high-refresh-rate, lightweight gaming, and touch personal computer products, continuously increasing shipments and expanding market share.

Additionally, in terms of television sets, UD products are rapidly replacing FHD products, and HD and FHD product lines are gradually shifting towards lower-cost Tri-Gate models, resulting in higher drive IC temperatures and increased demand for COF heat sinks. Fitipower Integrated Technology has completed the development and mass production of low-heat-generation drive ICs for television products in response to this trend. Considering that the television system is moving towards integrated and cost-reduced T-CON Less development, we have specifically strengthened the compatibility of our IC design with the system to improve the reliability and yield of Fitipower products and make them more cost-effective than competitors.

For mid-size displays, Fitipower Integrated Technology has begun mass production of new FHD, 2K, and 4K projector display driver ICs and plans to develop automotive-grade driver ICs suitable for vehicle dashboards.

## (2) Power Management IC

With the development of intelligent and Internet of Things technology, more and more electronic devices require high-efficiency, low-power-consumption, and high-stability power management ICs. As green environmental concepts become more widespread and global demand for energy-saving and emission reduction grows, the development of energy management technology provides more opportunities for the power management IC industry. Due to this trend, Fitipower Integrated Technology's new product development is also moving towards higher efficiency, energy-saving, and low-power consumption.

The development of emerging applications and fields such as smart homes, smart cities, and intelligent equipment will also bring new opportunities to the power management IC industry. With the popularization of intelligence, the applications of batteries are becoming more extensive. In addition to the lithium battery applications and various power ICs for industrial applications under development, the application

range of various motor drives is also expanding, which is one of our key development projects. Moreover, with people's increasing awareness of environmental protection and policy support, the booming development trend of electric vehicles makes power management ICs and DC motor drive ICs necessary components in electric vehicles. The company is committed to developing new product projects in this area, and subsequent related products will continue to develop towards high-voltage and high-current fields.

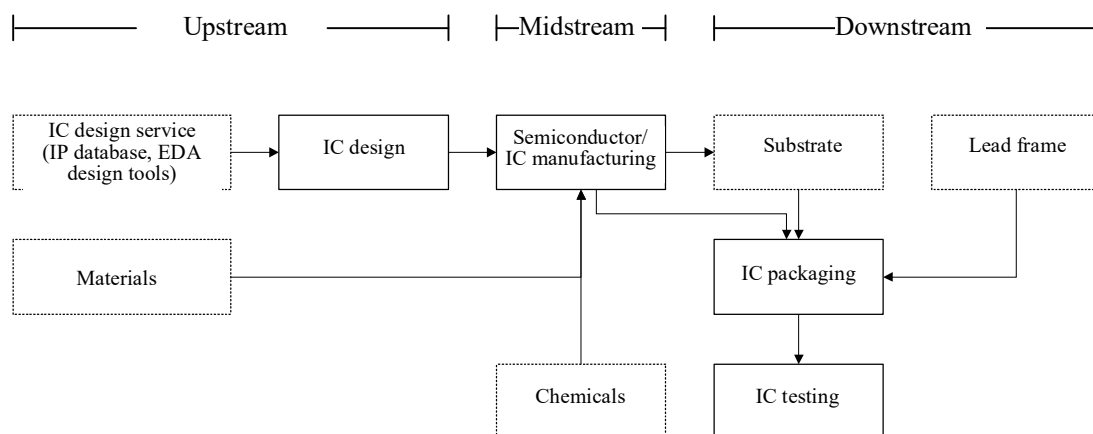
### (3) Other related semiconductors

In recent years, eDP, used for central processing units or graphics processing units, has largely replaced LVDS as the main embedded video display interface between motherboards and display panels in laptops, tablets, and all-in-one machines. The liquid crystal panel in the above-mentioned embedded display system is equipped with a timing control chip (Tcon). The Tcon receives signals from the graphics processing unit (GPU), controls the timing of the signals required by the liquid crystal panel, and then sends pixel data to another type of LCD driver chip. The higher image data transmission rate of eDP also supports high-resolution panels, high refresh rate gaming panels, and wide color gamut panels. Tcon's multiple demand functions also include further reducing system power consumption. Tiantong Technology will gradually expand its market share following eDP's evolution, catering to the end-user demands of different customers.

In addition, in the field of e-book display driver ICs, with the trend of energy saving, carbon reduction, and energy efficiency becoming mainstream globally, Tiantong Technology leads the industry in e-paper display driver technology. In the future, it will continue to evolve, leveraging its advantages in colorization and providing complete solutions with power management ICs.

## 2. The link between upstream, midstream and downstream industries

Since Taiwan has been vigorously pushing forward the semiconductor industry, the government, industry, academia and research institutes have worked together to establish, grow and strengthen the semiconductor sector in Taiwan, and now, through the professional division of labor, the IC industry in Taiwan has been able to build a complete division of work and cooperative system, and has successfully countered the previous dominance of the European, American and Japanese powers in the semiconductor IDM industry. The following diagram illustrates the links between the upstream, midstream and downstream of the IC industry.



Taiwan is a global stronghold for the information and communication technology (ICT) industry and supporting the development of the ICT industry supply chain is

Taiwan's complete semiconductor ecosystem. Taiwan's IC design industry is one of the major sources of customers for wafer foundry and IC packaging and testing industries, indirectly driving demand for upstream semiconductor materials and equipment. On the other hand, it also enables the downstream ICT industry to continuously innovate, providing more cost-effective, high-performance, energy-saving, and innovative products. As the IC design industry plays a crucial role in linking the upstream, midstream, and downstream industries for co-prosperity, the development of Taiwan's IC design industry will also affect Taiwan's overall competitiveness in the technology field.

We are a fabless IC design company and an upstream company in the industry. The importance of IC design in the overall IC industry is extremely high. Compared to IC manufacturing and IC testing, fabless IC design companies are characterized by higher added value and lower capital investment, primarily responsible for specification development, layout design, sales and after-sales services, while photomask manufacturing, wafer fabrication, wafer dicing, IC packaging and final testing are outsourced to specialist manufacturers, such as photomask manufacturers, specialist wafer foundries and packaging and testing houses.

### 3.Product development trends

#### (1) Display driver ICs

According to market research reports, the shipment size of TV panels will continue to grow, with shipments of 65-inch and larger TV panels grow 10-20% in 2023 compared to 2022. The market share of OLED TV panels will also gradually increase. In response to the continuous improvement of TV panel resolution and size, faster and more stable P2P interface technology driver ICs are needed to support high-quality images to meet market demand. Tiantong Technology has corresponding products for various P2P interfaces and plans to develop higher-speed products to meet the demands for high-resolution and high-refresh-rate applications.

At the same time, IC design companies are actively developing Mini LED backlight display driver ICs, emphasizing high integration features and incorporating dynamic power-saving modes, low-brightness uniformity, and support for variable refresh rates. This will help TV manufacturers create thinner, more energy-efficient, and higher-quality products, accelerating the market penetration rate of Mini LED backlight-related products.

In the personal computer display market, driven by remote work, online education, and gaming demands, high-resolution, high-refresh-rate, and ultra-wide screen products are emerging, and the demand for low-voltage high-frequency driver ICs and timing control ICs is gradually increasing.

In laptop products, in addition to continuing the low-power consumption focus in recent years, various power-saving IC solutions are being actively developed. Facing the trend of slim and 16:10 narrow bezel designs in laptops, and the increasing demand for high-end QHD laptops and high-refresh-rate gaming products in the post-pandemic era, IC design companies are actively developing Tcon and low-power variable refresh rate display driver ICs that support high-frequency applications, helping customers improve panel efficiency and reduce overall costs.

Looking at the overall trend, the product trends of OLED, Mini LED, high-resolution, and high-refresh-rate gaming laptops are expected to accelerate in the future. Upon further analysis, as Mini LED display technology has a higher cost, it is currently mainly used in high-end laptop models, and increasing its penetration

rate may be challenging. As OLED panel technology matures, it will gradually become the main solution for mid-to-high-end consumer and commercial laptop applications.

## (2) Power Management IC

Power management ICs play a very important role in energy conservation and environmental protection, specifically in the following aspects:

1. Energy-saving: Power management ICs can automatically adjust current and voltage to ensure that the system operates at optimal energy efficiency, thereby reducing energy consumption and waste. At the same time, it can control the start and shutdown of devices to minimize unnecessary energy waste.
2. Longevity: Power management ICs can ensure that devices in the system operate in the optimal power management mode, thereby extending their lifespan. This means reducing device demand, reducing electronic waste generation, and reducing the burden on the environment.
3. Reduced electromagnetic radiation: As power management ICs can provide higher power quality, they can reduce the electromagnetic radiation generated by electronic devices, thereby reducing damage to humans and the environment.
4. Green and environmentally friendly: Power management ICs can provide energy-saving, efficient, and long-lasting power management solutions that meet the requirements of green and environmental protection. Therefore, the application of power management ICs can promote green and environmental protection, reduce energy waste and environmental pollution, and achieve sustainable development.

In summary, power management ICs play an important role in energy conservation and environmental protection, providing efficient energy-saving, long-lasting, low electromagnetic radiation, and green power management solutions, which are positively significant for promoting green low-carbon development and protecting the environment.

## (3) Other related semiconductors

### 1. Timing Control IC:

The company's eDP Tcon shipments or the number of customers introduced to the panel will increase quarter by quarter in 2023, and the eDP Tcon has been mass-produced in the laptop market. The company also provides standardized and customized solutions to meet the specification requirements of system brand customers and panel customers while increasing its market share.

### 2. E-book drive IC

The company has been deeply cultivating the e-book drive IC field for many years. In recent years, industry trends have changed, technology is more conducive to energy conservation and carbon reduction in the ecological environment, thus promoting the high-speed growth of e-paper shipments. Fitipower Integrated Technology continues to actively develop different application fields with strategic partners, introduces high voltage and high frequency driver ICs to improve page turn speed, and pushes the imaging method into the color field, expanding the overall product penetration rate.

## 4. Competitive situation

### (1) Display Driver IC



The demand for driver ICs has continued to be strong in recent years, ranging from large to small sizes. Large sizes are mainly used in laptops, monitors, and TVs, medium sizes are mainly used in vehicles and industrial control, and small sizes are for mobile phones.

Over the past one or two years, cross-strait technology industries have maintained a delicate relationship of "competition and cooperation." With the China-US trade war, mainland China has accelerated semiconductor self-reliance, increasing the proportion of mainland panel manufacturers adopting domestically produced driver ICs, and intensifying competition for general products. In addition, there are many new technologies demands in the market, and how competitive manufacturers allocate resources is also an important issue. Facing industry changes, how to optimize supply chain management and diversified product line development, improve product competitiveness, and reduce operating costs also tests the adaptability of IC design companies.

How to expand market share in each industry cycle and combine the advantages of different product lines is a major focus.

## (2) Power Management IC

Accelerating the development of new products and continuing the launch of product generations are key tasks. At the same time, pay attention to the impact of policy environment, such as the EU RoHS and other environmental protection directives on product environmental protection and sustainability requirements, as well as the encouragement of various national policies for smart home, smart city, and other applications, which will also affect the development of the power management IC market.

Closer cooperation with major customers and tapping into more potential demands will be a great opportunity for future growth. Whether it is supply-demand guarantee contracts or ASICs specifically designed for major customers, they will bring more opportunities in the future.

Currently, among the peers, although there is competition, the global market share of Taiwan power management IC manufacturers is still low. In the company's overall revenue, the percentage of power management ICs is higher among driver IC companies. Integrating different product lines and meeting customer needs will be key to enhancing competitiveness.

## (3) Other related semiconductors

In the field of timing control ICs, Fitipower Integrated Technology leverages a combination of different product lines and evolves with market protocols. In applications for monitors and FHD TVs, we already hold a significant market share, and in 2023, we began mass production for laptop applications. In 2024, we plan to expand our product coverage to continue increasing our market share, targeting various application ends and boosting shipment volumes.

In the field of e-book driver ICs, they continue to maintain a leading advantage in technology evolution, provide added value to end customers with strategic partners, and maintain a certain market share ratio.

## (3) Technical and R&D status

1. R&D expenses invested in the most recent year and up to the date of the annual report printing.

Unit: NT\$ thousands

Item	2022	Up to Q1 2024
R&D expenses	2,245,262	554,245
Net revenue	16,286,520	3,722,907
Percentage of net	13.79%	14.89%

## 2. Successfully developed technologies or products

Our company maintains good cooperative relationships with customers and provides high-quality services, obtaining customer information at any time, providing timely and comprehensive solutions that meet customer needs, or jointly developing new technologies to meet market demand. Based on innovative and leading technology to serve customers, the development achievements in recent years are summarized as follows.

Year	R&D Results	Application Fields
2022	Notebook power-saving panel driver IC with new type of voltage level shift circuit	Laptop Panel
	Innovative SDC smart drive control mini-LVDS interface bias power-saving driver IC	PC Panel
	Industry's first 400ppi synchronous dual-gate drive charging and handwriting acceleration positioning display driver IC	E-Book
	Industry's first 3LCD automatic color separation single IC driving low-power high-resolution projection IC	Projector
	High-speed dual-drive ultra-high-resolution 11520 x 11520 (11K) 3D printer driver IC	Printer
	Ultra-high-resolution notebook timing control IC	Laptop Panel
	Notebook power-saving panel driver IC with new type of voltage level shift circuit	Laptop Panel
	Innovative SDC smart drive control mini-LVDS interface bias power-saving driver IC	PC Panel
2023	Developed a high-resolution and high-refresh-rate large display driver IC featuring innovative GAMMA stabilization technology.	TV Panel
	Ultra-low power large display driver IC with fast recovery and shared circuit technologies.	TV Panel
	Industry-first full-color e-paper multi-point non-sequential anti-flicker gate scan driver IC development project for color e-books.	E-Book
	Timing control IC for laptops with variable refresh rates and ESG features.	Laptop Panel
	Development of a 165Hz high-refresh-rate timing control IC for 4K ultra-high-resolution large displays.	Monitor Panel
	Innovative dynamic energy-saving high-efficiency multi-channel UBRP power management IC.	Laptop Panel
	High-power multiphase output power control IC.	Display Card
	Power Mosfet driver IC for Dr.MOS	Display Card
	Power management IC for color e-paper.	E-book Reader
	DDR5 PMIC	Memory Module

## (4) Long- and short-term business development plans

## 1. Short-term development plan

### (1) Marketing strategy

- A. Focus on meeting the needs of customers, developing oligopolistic and niche products and entering the supply chain of international manufacturers to establish a win-win situation in terms of product reputation and rapid growth.
- B. Seek experienced agents and establish a comprehensive agent management system to stabilize the Company's revenue and increase product visibility in the market.

### (2) Production strategy

- A. Strengthen strategic partnerships with existing major foundries, packaging houses, testing houses and other outsourcing companies to obtain stable and adequate production capacity and technical services.
- B. The ongoing US-China trade dispute has intensified global geopolitical tensions. US brands are most active in relocating equipment production and seeking alternative component supply sources; they will strengthen the development of domestic and foreign new wafer foundry capacities to increase wafer supply sources and flexibility and provide customers with more production location options.
- C. Establish information networks with our supply chain partners to enable timely control of production progress and volumes.

### (3) Product development strategy

- A. Focus on and understand the needs of our customers and develop products that suit their needs and market trends.
- B. Build up core product lines and a comprehensive database.
- C. Leverage the Company's accumulated technology and production capacity to rapidly develop and deliver quality and cost-competitive products.

## 2. Long-term development plan

### (1) Marketing strategy

- A. Consolidate and grow the business of our customers and agents to steadily increase our revenue and market share, and consistently roll out niche products to increase profits.
- B. Expand overseas markets and become a partner of major international manufacturers.
- C. Strengthen customer service and develop sustainable business by aiming for the highest customer satisfaction.

### (2) Production strategy

- A. Share the risk with suppliers to develop new processes and technologies.
- B. Expand economic scale and reduce production costs.
- C. Respond early to the industry's low and high season cycles to mitigate their impact.

### (3) Product development strategy

- A. Tailor our products to suit the needs of our customers' applications.
- B. Develop niche and entry-level products with continuity and integrity of product lines.
- C. Strengthen process development capabilities to raise product thresholds, quality and optimize costs.
- D. Increase product core competitiveness.

## 2. Market and Sales Overview

### 1) Market analysis

#### 1. Major product sales regions

Region	2023	
	Sales amount	Percentage of sales
Domestic Sales	1,608,856	9.88
Export Sales	14,667,664	90.12
Total	16,286,520	100.00

Unit : NT\$ thousands    %

## 2. Market Share

The company's consolidated net revenue for 2021 to 2023 is 22.868 billion, 19.68 billion, and 16.287 billion. According to IEK data from the Industrial Technology Research Institute, the IC design industry output value for 2021 to 2023 is 1,214.7 billion, 1,232 billion, and 1,0965 billion yuan, resulting in market shares of 1.88%, 1.60%, and 1.49% for the company in the last three years. The company has laid a solid foundation in existing display driver ICs, power management ICs, and other related semiconductor products. The development of new products and future strategic investment directions are believed to translate into future growth momentum.

## 3. Market supply and demand and growth prospects

### (1) IC Display driver IC

In the post-pandemic era, the demand for high-end and high-performance 3C products has expanded, and brands have successively launched new products to stimulate consumers, thereby generating demand for purchasing or replacing products such as laptops, tablets, and televisions. According to a TrendForce survey, it is estimated that the global shipment of TV LCD panels in 2024 will be approximately 242 million units, with a yearly growth rate of about 3.4%. Due to the increase in product sizes, the shipment area is expected to grow by 8.6% annually.

In the laptop market, with inventory pressures easing, the global laptop market is expected to return to a healthy supply-demand cycle in 2024. The main growth drivers will be the gradual release of replacement demand from the end-business market and the continued expansion of specific segments like

Chromebooks and gaming laptops. According to TrendForce, the overall shipment is expected to reach 172 million units, an increase of 3.2% year-on-year.

On the other hand, the personal computer market in 2023 is anticipated to witness a wave of upgrades, bolstered by the gradual incorporation of AI technology, particularly in AI PCs, thereby stimulating market expansion. IC design companies are cautiously optimistic about the trend of functional upgrades in personal computer applications, such as higher refresh rates, higher resolutions, and a 16:10 aspect ratio, which will drive the demand for more advanced IC products. IC design companies will also launch comprehensive solutions for the market, including driver ICs, timing control ICs, and power management ICs, to increase their products' market share.

## (2) Power Management IC

Power management ICs can be used in various applications, including smartphones, tablets, electronic products, industrial equipment, etc. Over the past few years, with the development of technologies such as the Internet of Things (IoT) and smart homes, the power management IC market has shown a stable growth trend.

1. Market size: The power management IC market has grown from about \$25 billion in 2019 to about \$31 billion in 2023 and is expected to continue growing in the next few years. This is mainly driven by the expansion of the application scope and the popularization of IoT technology.
2. Application scope: The main application areas of the power management IC market are consumer electronics and industrial automation. In the field of consumer electronics, smartphones, tablets, smart homes, and in-vehicle electronics are the main application areas. In the field of industrial automation, power management ICs are mainly used in factory automation, smart cities, intelligent transportation, and other application areas.
3. Major market regions: Currently, the Asia-Pacific region is the main region for the power management IC market, mainly driven by the rapid development of countries such as China and India, and the increasing demand for consumer electronic products such as smartphones and tablets. Europe and North America are also important markets.

Overall, with the advancement of technology and the increase in market demand, the power management IC market will continue to maintain a growth trend. Although the market competition is high, there are still many opportunities, especially in emerging markets and application areas such as IoT.

## (3) Other related semiconductors

1. Timing control IC: The penetration rate of eDP Tcon is increasing year by year and gradually spreading to different application areas. Companies like us will continue to work with other product lines to expand their market share in the timing control IC field.
2. E-book driver IC: The e-paper market is entering an industrial acceleration period.

Companies like us, which have been deeply cultivating this field for a long time, will benefit from the overall industry penetration rate increase and improve shipment volume.

#### 4. Competitive niche

##### (1) Excellent and experienced professional team

Since our incorporation, we have been recruiting and training outstanding talents in the R&D and marketing of display driver ICs and power management ICs, based on the principles of in-depth technology research and in-house development. In addition to display driver ICs that have successfully entered the oversized panel and timing control IC markets, power management ICs have also been developed with excellent performance and various functions, such as PMUs for LCD TVs, LCD monitors and laptops, as well as high power DC motor driver ICs and high voltage DC/DC power conversion ICs for network communication products. Going forward, the Company will build on its existing foundation and integrate relevant technologies to advance towards market leadership.

##### (2) Maintaining a good partnership with customers

Our R&D and marketing teams offer immediate product needs and services to our customers and work closely with them to help them achieve their goals of shortening development time, stabilizing supply and keeping costs down. Our R&D team can provide customers with a total solution for display driver ICs and power management ICs. We are dedicated to customer satisfaction and continual improvement in terms of quality, yield, delivery and technical services, and look forward to growing together with our customers to maintain a good relationship and achieve sustainable management and development.

##### (3) Stable and efficient engineering and production management

We are constantly refining our engineering and production management in order to shorten the development time and improve quality, cost and delivery. We have our own R&D, testing and validation capabilities, and conduct complete and stringent environmental and service life reliability verification during the engineering stage to filter out potential instability factors and effectively provide engineering samples within the shortest possible time to shorten the time-to-market, so as to ensure the provision of quality IC products that meet product specifications.

Aiming to boost the overall operational performance, the Company has consolidated a comprehensive production and supply chain, maintained good cooperation with various vertically integrated manufacturers, and embraced the notion of strategic partnership to explore opportunities for joint development in the long term. To keep our manufacturing edge, we introduced an ERP system for electronic commerce at the early stage of our inception to keep track of our production schedule and to arrange the best delivery time for our customers. To comply with international standards and sustainable management, our Company has obtained the ISO9001:2015 international quality management system certification. In the use of raw materials for our products, we have fully demonstrated our determination to protect the environment by using green materials that conform to international requirements.

#### 5. Positive and negative factors for future development and measures to address them

##### (1) Positive factors

A. Continued expansion of market size and steady increase in demand

As the world economy gradually picks up, global demand for LCD TVs, LCD monitors and laptops is gradually climbing, and demand for TFT-LCD panels for various end-use applications is also on the rise.

Power management ICs are indispensable components for electronic products and their market growth trend is closely associated with the boom cycle of the electronics industry, with a wide range of applications and a long life-cycle, and the industry growth is still strong.

While Taiwan's power management IC design output still accounts for a low percentage of the global market and there is room for growth, Asia is still a manufacturing base for electronic products and the market for power management IC-related applications is expected to be growing. In addition, the price disadvantage of international manufacturers' ICs is not favorable to their customers, and the replacement wave is forming, which all constitute positive factors for the development of power management ICs in the coming years.

**B. Strong and experienced R&D team**

The Company's display driver IC and power management IC design and development team has extensive R&D experience and strong R&D capabilities, and is highly competitive in terms of technological innovation, responsiveness and satisfying customers' needs.

**C. Well-established vertical integration**

As a specialist IC design company, we have formed good partnerships with professional foundries and packaging and testing houses over the years, and have a strong industrial chain connection, enabling us to obtain stable and sufficient production capacity and technical services. On top of this, the performance of specialized foundries, testing and packaging in Taiwan has reached world standards, making us competitive for long-term development.

**(2) Negative factors and measures to address them**

**A. Increasing complexity of the functions required by the product**

The future of smart lifestyle trends will emphasize interaction and connectivity, personalization and ease of access to information, thus requiring displays that are thin, light, robust, portable, easy to read and integrated with multiple functions. With green energy conservation becoming a major issue in human life, IC product design must evolve along with it.

Response:

We keep abreast of the latest technical information and market demand, and through good interaction and communication with our customers, we stay informed of future development trends and the actual needs of our customers.

**B. Longer talent cultivation period and risk of change**

It takes more time to nurture the R&D talents for power management ICs since the nation got a late start, and the overall environment is still dominated by the cultivation of digital design R&D personnel. Compared to foreign countries, there are fewer engineers in Taiwan with practical experience in the design and manufacture of power management ICs for mass production.

Response:

We have a robust welfare and reward system in place to attract talented people

and to raise staff morale in order to reduce staff turnover. Moreover, the Company has been exchanging information with academic institutions and research institutes at home and abroad to build up a database of product development technologies.

#### C. Improvements to the semiconductor process

Semiconductor processes such as high voltage, BCD (Bipolar-CMOS-DMOS) and BiCMOS, which are required for high-end power management ICs in Taiwan, are not yet mature enough to be developed by domestic foundries to compete with foreign manufacturers.

Response:

We work closely with leading wafer fabricators to obtain first-hand technology and support. In addition to our excellent process development staff, we also assist our foundries to cooperate with us in new process development and process stability optimization, which will ultimately lead to competitive product specifications, stable production yields and vertically integrated front-end wafer and back-end production outsourcing, ensuring sufficient and stable production capacity to produce price-competitive power management ICs.

### 2) Main product applications and manufacturing processes

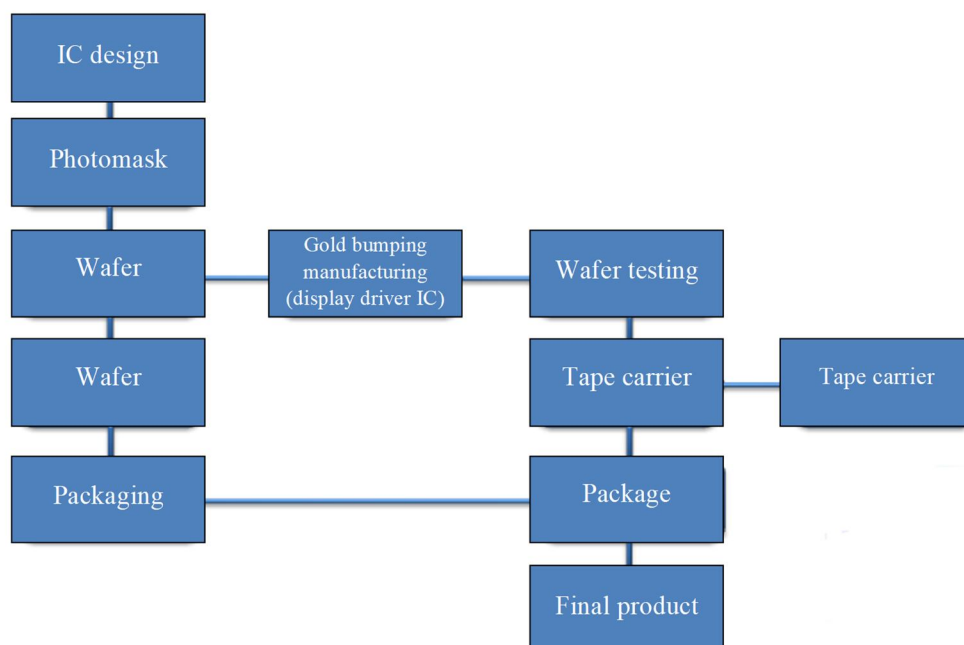
#### 1. Main product applications

Main Products	Type	Important Uses and Functions
Display driver IC	Large Size Source Driver IC	Mainly applied in TVs, notebooks, computer monitors, and automotive and industrial control, medical products, etc.
	Large Size Gate Driver IC	
	Medium Size Driver IC	Mainly applied in industrial control and automotive.
Power Management IC	Switching Regulator IC	Mainly for power voltage/current conversion, detection, and protection, which can improve the efficiency of power supplies. Mainly applied in networking communication products, industrial, and automotive fields.
	Linear Regulator IC	Mainly for power voltage conversion and protection. Applicable to most electronic products, including networking communication products, lighting, industrial, and automotive fields.
	Power Management Integrated Components	Mainly for power voltage/current conversion management and protection. Mainly applied in networking communication products, electric meters, and industrial fields.
	Panel Power Management IC	Mainly applied in TVs, notebooks, computer monitors, and industrial control, medical products, etc.
Other Related Semiconductors	Timing Control IC	Mainly applied on various display screens.
	E-book Display Driver IC	Mainly applied in EPD e-books and electronic paper notebooks.

#### 2. Main product manufacturing processes

A professional IC design company, our ICs are primarily manufactured by foundries, tested and delivered to packaging houses for packaging, and then sent to testing houses for complete functional testing of the ICs to produce finished products. The IC manufacturing process includes in order IC circuit design, photomask fabrication, wafer fabrication, IC packaging and IC testing, etc. The IC manufacturing process is as follows:





### 3) Supply situation for major raw materials

Major Raw Materials	Suppliers	Supply Situation
Wafers	210058, 210115	Stable quality and supply, long term cooperation, good supply situation

### 4) A list of any suppliers and clients accounting for 10 percent or more of the Company's total purchase (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total purchase (sales) accounted for by each, and the reason for increases or decreases in the above figures.

#### 1. A list of any suppliers accounting for 10 percent or more of the Company's total purchase amount in either of the 2 most recent fiscal years

Unit: NT\$ thousands

No.	2022				2023			
	Name	Amount	Percentage of full year net purchase amount (%)	Relation with issuer	Name	Amount	Percentage of full year net purchase amount (%)	Relation with issuer
1	210058	3,187,542	37.44	None	210058	2,621,587	34.43	None
2	110104	1,425,269	16.74	None	210115	1,159,026	15.22	None
	Others	3,901,729	45.82		Others	3,834,303	50.35	
	Total	8,514,540	100.00			7,614,916	100.00	

Note 1: The names of suppliers are indicated by codes as the Company has signed confidentiality agreements with them.

Reasons for changes in increase or decrease:

The main raw materials purchased by our company are wafers and thin films. The selection of suppliers mainly considers factors such as capacity acquisition, process technology, yield rate, stable delivery time, and price advantages for large-scale procurement. In 2023, the change in the procurement amount of suppliers accounting for more than 10% of the annual net procurement value was mainly due to the changes in the product portfolio of our company and the comprehensive consideration of the above-mentioned supplier selection criteria.

2. A list of any customers accounting for 10 percent or more of the Company's total sales amount in either of the most recent 2 years

Unit: NT\$ thousands

No.	2022				2023			
	Name	Amount	Percentage of full year net sales amount (%)	Relation with issuer	Name	Amount	Percentage of full year net sales amount (%)	Relation with issuer
1	100518	2,298,459	11.68	None	D00490	2,056,323	12.63	None
2	100593	2,036,224	10.34	None				
3	D00490	2,028,312	10.31	None				
	Others	13,317,430	67.67		Others	14,230,197	87.37	
	Total	19,680,425	100.00			16,286,520	100.00	

Note: The name of the customer is indicated by a code as the Company has signed a confidentiality agreement with it.

Reasons for changes in increase or decrease:

The increase and decrease of the company's sales targets mainly depend on factors such as end-customer demand, product market changes, product application field development, and customer procurement strategies. In 2023, weak demand in the panel market, competitive price cuts by peers, and continued inventory de-stocking by customers together led to a 17% decline in sales performance, resulting in changes in the sales amount and proportion of customers.

#### (5) Production value for the last two fiscal years

Unit: Thousands of pieces; NT\$ thousands

Production Product	Year	2022			2023		
		Capacity	Volume	Value	Capacity	Volume	Value
Display Driver IC	(Note )		550,228	8,941,204	(Note )	550,314	7,705,691
Power Management IC	(Note )		1,178,340	1,596,157	(Note )	983,586	1,305,983
Other Related Semiconductors	(Note )		104,755	1,293,089	(Note )	99,633	994,668
Total	(Note )		1,833,323	11,830,450	(Note )	1,633,533	10,006,342

Note: The products designed and developed by the Company are mainly outsourced to foundries for manufacturing and then outsourced for packaging and testing, therefore, capacity calculation is not applicable.

(6) The volume of units sold for the most recent 2 fiscal years

Unit: Thousands of pieces; NT\$ thousands

Year Production Product	2022				2023			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Display Driver IC	63,218	1,759,136	498,740	12,664,812	34,820	887,313	527,821	11,073,071
Power Management IC	352,956	747,970	797,113	2,093,377	256,719	577,804	822,135	1,789,485
Other Related Semiconductors	10,651	202,928	97,951	2,212,202	8,546	143,739	103,447	1,815,108
Total	426,825	2,710,034	1,393,804	16,970,391	300,085	1,608,856	1,453,403	14,677,664

### 3. Human Resources

Units: Persons

Year		2022	2023	April 19, 2024
Number of employees	Management staff	12	10	10
	R&D staff	597	580	585
	Other staff	280	234	234
	Total	889	824	829
Average age		37.40	37.97	38.18
Average years of service		3.58	5.01	5.20
Percentage of employees at each education level	PhD	1.46%	1.46%	1.45%
	Master	58.61%	58.86%	58.99%
	Bachelor	38.92%	38.71%	38.60%
	Senior high school	0.90%	0.85%	0.84%
	Below senior high	0.11%	0.12%	0.12%

### 4. Environmental Protection

- 1) Describing any losses (including compensation) suffered by the Company in the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report as a result of environmental pollution incidents, and the total amount of penalties imposed: None.
- 2) Future responses (including improvement measures) and possible expenses, and disclosing an estimated amount thereof (including losses, penalties and compensation that may be incurred if no response is taken). If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

### 5. Labor Relations

- 1) List 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. Staff benefit measures

To protect the rights and interests of our employees and to boost the Company's morale, we offer a comprehensive welfare system for our full-time employees. In

addition to basic rights such as labor and health insurance, annual leave, maternity leave and parental leave as required by law, we also provide a wide range of benefit policies and systems, which are detailed in the table below.

Category	Content
Rewards & Benefits	<ul style="list-style-type: none"> <li>● 14-month basic salary: Besides 12 months of salary, there are festival bonuses of 0.5 month each for the Dragon Boat Festival and Mid-Autumn Festival and a year-end bonus of 1 month of basic salary.</li> <li>● Besides the basic annual salary, there is a generous dividend and profit sharing system among employees, Employee Stock Ownership Trust</li> <li>● Referral bonus: After the completion of the probationary period by new recruits referred by internal staff, a bonus will be paid to the fellow referrer by their job grade.</li> <li>● Patent bonus: A bonus will be awarded once an employee's patent application has been given an application number by the competent authority</li> </ul>
Health Promotion	<ul style="list-style-type: none"> <li>● Labor insurance, health insurance, group insurance and travel insurance: We take out labor insurance, national health insurance, group insurance (including life insurance, accident insurance, hospitalization insurance, accident medical insurance, cancer medical insurance, etc.) and travel insurance policies for every employee</li> <li>● Health consultation service: Registered nurses visit the premises 4 times a month and doctors visit the premises once a quarter to provide one-to-one professional advice to staff</li> <li>● Free medical check-ups: We provide free annual medical check-ups for our staff to take care of their health conditions</li> <li>● Complimentary stress relief massage: 2 massage sessions per week to relieve staff from their busy schedules, with 2,352 massage appointments in 2023.</li> <li>● Recreational club activities: We encourage staff to form their own sports and recreational clubs to help them to be physically and mentally healthy and to relieve stress through moderate exercise and hobby development.</li> <li>● Special festive gatherings: Fitipower Family Day, Mid-Autumn Festival gala, Christmas event and year-end banquets, etc. to promote interaction and create a closer partnership</li> <li>● Departmental travel benefits, meal benefits, domestic and overseas travel benefits</li> </ul>
Complete Care	<ul style="list-style-type: none"> <li>● Thursday 08:30-09:30, and Friday 08:00-09:30, to implement a humane management system.</li> <li>● Advance annual leave: Up to 56 hours of advance annual leave per year</li> <li>● Midday and evening meal allowances: Staff are provided with meal allowances on working days to encourage them to have a balanced and healthy diet</li> <li>● Complimentary afternoon snacks: Fortnightly complimentary afternoon snacks are provided to allow staff to relax and enjoy a small treat at work</li> <li>● Holiday cash gifts</li> <li>● Wedding, funeral, maternity and hospitalization benefits</li> <li>● Paid sick leave/menstrual leave for female staff: 5 days per year</li> <li>● Staff dormitory Application</li> <li>● Maternal health protection: Please refer to our Sustainability Report - Occupational Safety and Health Promotion for details</li> </ul>

## 2. Continuing education and training

The Company attaches great importance to career planning for its staff and strives to nurture talents. We encourage our staff to participate in various training courses and furnish them with good training opportunities by conducting internal training courses and allowing them to attend courses or seminars organized by external entities according to the needs of the Company's staff.

In addition to offering face-to-face interactive physical courses, to enhance the learning experience of supervisors and colleagues and enable them to enrich themselves anytime and anywhere using fragmented time, our company utilized the online learning platform (iLEARN). The platform provides online, offline, and blended learning modules, allowing employees to flexibly arrange their learning progress during their spare time. Course topics include research and engineering professional skills, quality and environmental safety, information security, leadership management, and work efficiency for colleagues to study independently. For new employees and R&D units, we have developed comprehensive professional blueprints and competency development

strategies to cultivate key talents needed and establish a perfect talent echelon.

In addition, besides providing employees with a wealth of diverse internal education and training resources, we also encourage colleagues to actively participate in external training and maintain technical exchanges with the industry. Furthermore, for the management competency training of middle and senior executives, we regularly arrange for unit supervisors to participate in practical courses and exercises on senior executive performance management and leadership motivation, hoping to effectively assist unit supervisors in developing team leadership competencies and leading teams to demonstrate outstanding performance results, thereby strengthening team cohesion and innovation capabilities.

(1) New employee training

To help new employees quickly integrate and adapt to the organization and team, we use new employee training guidance, new employee training blueprints, department business and job descriptions, and new employee adaptation talks (New-Fitis Talk) to effectively help newcomers master the organizational management system, adapt to the team atmosphere, and become familiar with system tool applications, enabling every new partner to become the strongest combat force.

(2) Professional skills training

Using internal professional learning, external professional training courses, and other learning methods to increase self-professionalism and exchange opportunities with peers and practice the organizational training purpose of combining training and combat through project practice.

(3) Management competency training

Based on the five core management competencies - planning and organization, analytical thinking, work guidance, performance management, and networking - we establish a comprehensive leadership echelon management competency. We create a common management language to improve organizational business management performance.

(4) Statutory Training

According to legal regulations and operational requirements, participate in various statutory certification training courses to ensure the safety of all operations.

3. Employee retirement system and its implementation

Starting July 1, 2005, all employees voluntarily choose to apply the new labor retirement system, and the Company will contribute 6% of their monthly salary to the employees' personal pension accounts. The Company also makes voluntary contributions to the employees' individual pension accounts. For the year ended December 31, 2023, the pension cost under the defined contribution pension plan was \$47,010 thousand.

4. The status of labor-management agreements and measures for preserving employees' rights and interests.

The Company has always attached great importance to the welfare and care of its employees, and to harmonious labor-management relations. The views of employees are taken seriously, and employees can communicate with management through meetings and emails, so that they can fully express their opinions and identify problems, thus ensuring a good relationship.

To foster harmonious and sustainable labor relations and to facilitate smooth communication between employees and management, the Company has established more than one transparent and open communication channel to collect valuable opinions from all employees. Despite the fact that we have not set up a labor union, we still hold regular labor-management meetings under the Labor Standards Act and, when necessary, we may convene ad hoc meetings for two-way communication and consultation on issues such as promoting labor-management cooperation, harmonization of labor-

management relations, improvement of labor conditions and labor welfare planning.

We hold quarterly labor-management meetings, half-yearly managers' meetings, and have an internal management system with an employee grievance box and a payroll suggestion channel to understand the needs and expectations of our employees and actively respond to their concerns. The Company strives to create an organizational environment with unhindered communication and is devoted to the management of labor relations. In the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report, the Company has achieved the objectives of protecting labour rights, including: no incidents of discrimination and related complaints, no violation of freedom of association and collective bargaining rights, no employment of child labor, no incidents of forced or compulsory labor, no major labor disputes, no delays in resolving or no backlog of employee opinions and grievances.

- 2) List any losses suffered by the Company due to labor disputes in the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report, and disclosing an estimate of possible expenses that could be incurred currently and, in the future, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

## 6. IT SECURITY MANAGEMENT

- 1) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

### 1. Cyber security risk management framework

The Company has a cyber security officer and 1 staff who is responsible for reviewing, formulating and promoting information security policies and reporting regularly to the board of directors on the overview and operation of cyber security management.

### 2. Cyber security policies

Security Aspects	Security Controls	Related Operations	Verification
External Defense	Network Security Management	<ul style="list-style-type: none"> <li>● Set up firewall partitions for internal, external, and DMZ networks</li> <li>● Periodically review/adjust firewall policies</li> <li>● Control internal and external web management access behavior and control (IPS, URL filter, sandbox)</li> <li>● Remote connection HIP detection, 2FA identity verification</li> <li>● Implement advanced cybersecurity measures including DNS Security, Advanced URL Filtering, and Advanced IPS technology through our firewall</li> </ul>	Strengthen the security of internal and external network access
	Computer Virus Protection	Complete protection mechanism from gateway to endpoint: <ul style="list-style-type: none"> <li>● MailSpam for mail filtering/virus scanning</li> <li>● Server/computer regular vulnerability check and system update operation</li> <li>● Virus protection and malware monitoring</li> <li>● Monitor internal operations using EDR technology</li> </ul>	Strengthen internal information environment and service security
Internal Control	Data protection and system/application access control	Manage controls according to ISO 27001 management processes: <ul style="list-style-type: none"> <li>● PI06 Personnel Security Management Process</li> </ul>	Ensure internal data protection mechanism and real-time alerts

		<ul style="list-style-type: none"> <li>● PI07 Physical Security Management Process</li> <li>● PI08 Access Control Management Process</li> <li>● PI09 Communications and Operations Management Process</li> </ul>	
	Information Record Protection	Build SOC & DLP system for the following control: <ul style="list-style-type: none"> <li>● Internal and external system access control/logging</li> <li>● Operation behavior control/tracking record</li> <li>● Abnormal event control/record/alarm</li> <li>● Protect and save related records</li> </ul>	Ensure the validity of records and the ability to verify and comply with regulations
	Internal Network Control	IPAM system for internal network access control	Prevent access to external devices for internal access
	Information Security Incident Management	Information Security Incident Notification and Response Process	Enhance information security incident handling procedures
Information Security	Information Security Policy and Education and Training	<ul style="list-style-type: none"> <li>● Regular review, formulation, approval and publication of information security policies by management</li> <li>● Enhance employee information security literacy through education and training, E-learning, and information security promotion</li> </ul>	Confirm the applicability and effectiveness of information security policies. Enhance the information security literacy of colleagues.

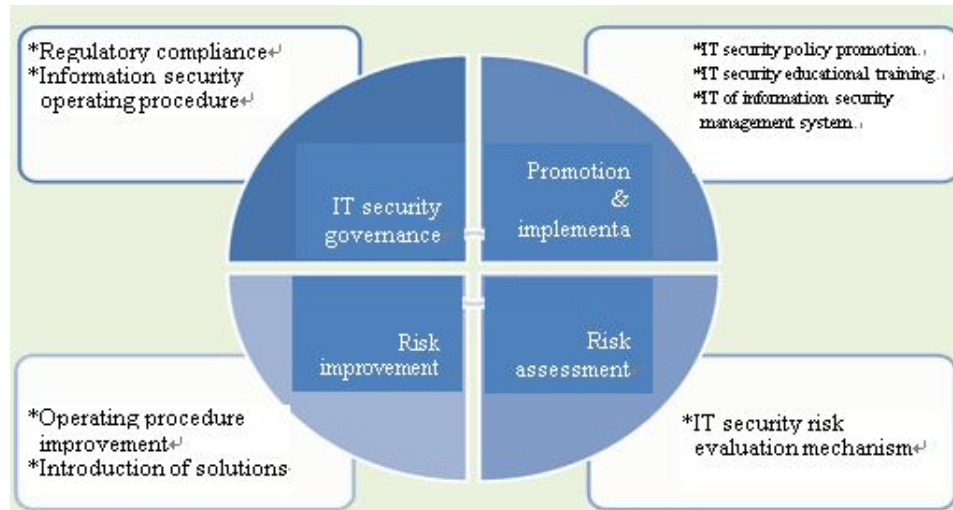
### 3. Information Security Management

To enhance information security governance and ensure the continuity of operations, the company continues to invest in relevant software, hardware equipment, and cybersecurity control mechanisms. The Company acquired ISO27001: Certification of Information Security Management Systems. There were no incidents of customer privacy violations, information theft, leaks, loss, or related complaints in 2022-2023.

Major Issues	Use of ChatGPT, ISO 27001: 2022 Upgrade
Policy	Enhance personnel awareness, prevent data leaks, implement daily maintenance, and ensure continuous operation.
Objective	<ul style="list-style-type: none"> <li>● Ensuring all information operations comply with relevant legal requirements.</li> <li>● Ensuring all personnel understand their information security responsibilities to protect information assets and reduce the risk of information security incidents.</li> <li>● Ensuring the confidentiality of the Company's information assets, implementing data access controls, and allowing access only to authorized personnel.</li> <li>● Ensuring the integrity and accuracy of the Company's information operations management, preventing unauthorized modifications.</li> <li>● Ensuring the continuous operation of the Company's information processes, meeting operational service level requirements.</li> </ul>
Evaluation Indicator	The ISMS (Information Security Management System) is assessed based on ISO/IEC 27001:2013 standards:
Performance	<ul style="list-style-type: none"> <li>● Development of the ISMS began in August 2022.</li> <li>● Completion of cybersecurity training for all employees in February 2023.</li> <li>● Obtained ISO 27001: Information Security Management System certification in March 2023.</li> </ul>

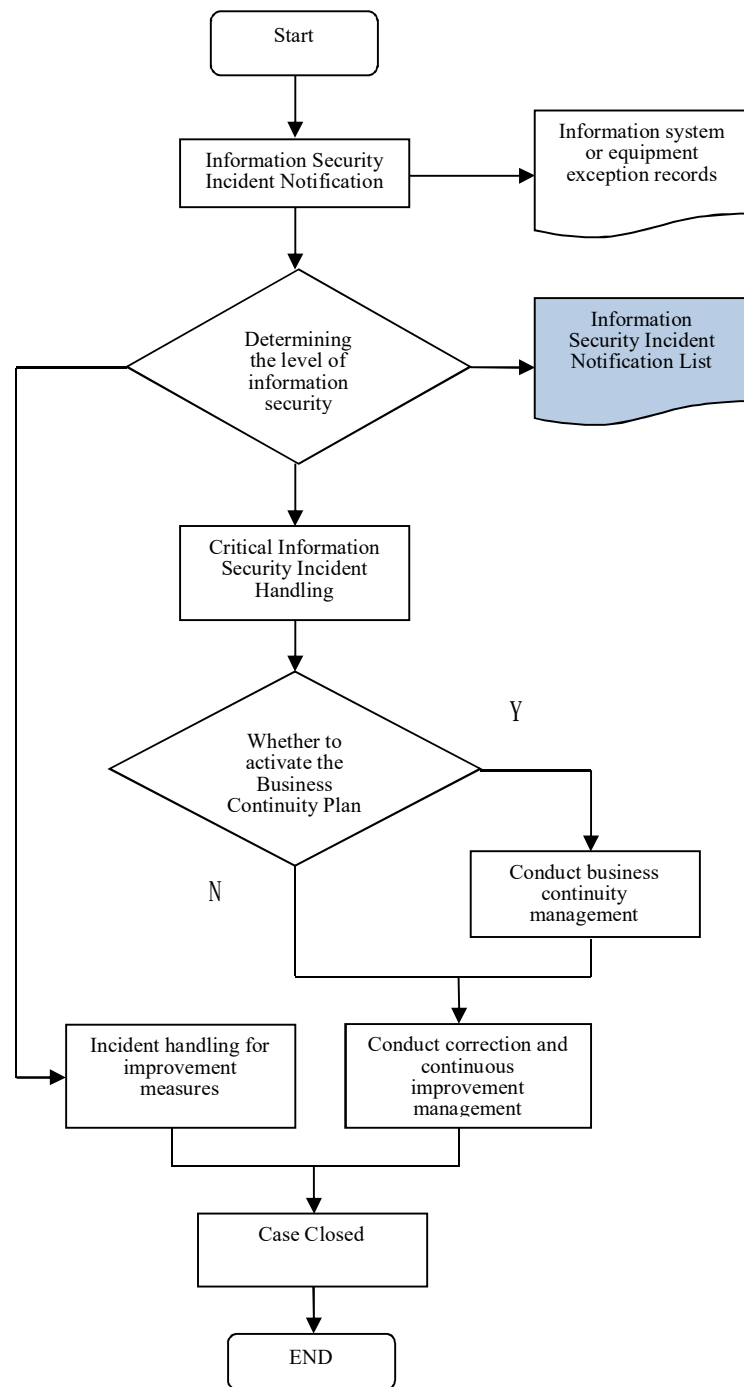
The Company adheres to the PDCA (Plan-Do-Check-Act) management principle to ensure the achievement of reliability targets and continuous improvement.

Information security PDCA cycle management:





## Cyber security incident handling procedures:



### 4. Investments in resources for cyber security management

The Company's 2023 information security implementation results:

- (1) Development of the ISMS began in August 2022.
  - (2) Completion of cybersecurity training for all employees in February 2023.
  - (3) Obtained ISO 27001 certification in March 2023.
- 2) List any losses suffered by the Company due to significant cyber security incidents in the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report, the possible impacts therefrom, and measures being or to be taken. If a

reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

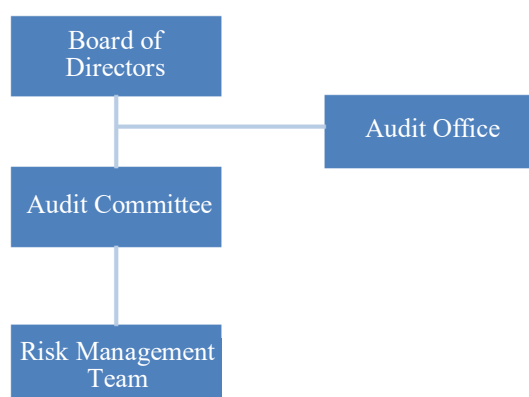
## 7. Risk Management

### 1) Risk management policies and procedures

The Company's Risk Management Policy and Procedures were formulated in 2021 and approved by the board of directors as the overarching guiding principle for risk management across all units. Risk management should be based on the Company's business strategies and objectives, taking into account factors such as business growth, risks and rewards, setting risk standards, regularly evaluating and monitoring various risk positions, establishing risk indicators and early warning mechanisms, and modelling future changes as far as possible to provide a basis for management response. In addition, the following principles must be observed:

1. Explicitly consider the uncertainties of risky items and obtain the best information to develop priority action plans.
2. Efficiently allocate and use resources.
3. Keep an eye on trends and changes to identify potential emerging risks.
4. Enhance stakeholder communication and trust.
5. Foster a risk management culture and raise awareness of risk management.

### 2) Risk management framework and operations



The Board of Directors serves as the primary oversight entity for risk management within the Company, tasked with approving risk management policies, frameworks, and organizational culture. Meanwhile, the Audit Committee acts as the principal guiding force for risk management, entrusted with the formulation of risk management policies, strategic planning, and oversight of significant risk-related matters. Additionally, it enhances risk monitoring and reports on the operation and efficacy of risk management to the Board of Directors at least annually. The Risk Management Team is responsible for the actual implementation of risk plans across units, including risk identification, analysis, assessment, mitigation, control, and self-monitoring. The Audit Office, an independent unit under the Board of Directors, assists the Board in supervising the implementation of risk management mechanisms, audits the execution of risk response and control in various operational units, and communicates risk information with operational units while collecting and integrating their risk management reports.

## 8. Important Contracts: None.

## VI. Financial Information

### 1. Five-Year Financial Summary

#### (1) Condensed Balance Sheet

##### 1. Consolidated financial reporting

Unit: NT\$ thousands

<div>Year</div> <div>Item</div>		Financial information for the last five years (Note 1)				
		2019	2020	2021	2022	2023
Current assets		5,213,291	8,500,081	21,522,649	21,818,371	17,308,248
Property, plant and equipment		245,025	332,385	664,800	1,054,976	1,028,598
Intangible assets		211,635	236,358	247,101	83,883	63,003
Other Assets		251,470	200,860	1,857,992	2,498,227	6,472,432
Total assets		5,921,421	9,269,684	24,292,542	25,455,457	24,872,281
Current liabilities	Before distribution	1,907,701	2,827,778	6,704,717	4,065,787	3,245,705
	After distribution	1,742,390	2,412,257	3,539,720	2,483,288	(Note 2)
Non-current liabilities		150,164	165,757	203,310	246,161	430,108
Total liabilities	Before distribution	2,057,865	2,993,535	6,908,027	4,311,948	3,675,813
	After distribution	1,892,554	2,578,014	3,743,030	2,729,449	(Note 2)
Equity attributable to owners of the parent company		3,863,556	5,316,161	15,845,595	17,394,713	17,319,043
Share Capital		1,656,875	1,665,880	1,865,453	1,865,453	1,212,545
Capital reserve		1,148,297	2,064,369	6,986,324	8,615,095	8,621,547
Retained Surplus	Before distribution	1,110,016	1,610,286	7,047,009	6,952,318	7,520,032
	After distribution	944,705	1,194,765	3,882,012	5,369,819	(Note 2)
Other Equity		(51,632)	(14,925)	(43,782)	(28,704)	(26,923)
Treasury stock		-	(9,449)	(9,449)	(9,449)	(8,158)
Non-controlling interests		-	959,988	1,538,920	3,748,796	3,877,425
Total equity	Before distribution	3,863,556	6,276,149	17,384,515	21,143,509	21,196,468
	After distribution	3,698,245	5,860,628	14,219,518	19,561,010	(Note 2)

Note 1: The financial information for 2019 to 2023 has been audited and certified by an accountant.

Note 2: The proposed distribution of earnings for 2023 has not yet been approved by the shareholders at the Annual General Meeting.

##### 2. Parent Company Only financial reporting

Unit: NT\$ thousands

Item \ Year		Financial information for the last five years (Note 1)				
		2019	2020	2021	2022	2023
Current assets		4,109,231	5,706,168	17,625,379	14,043,091	13,456,281
Investments accounted for using the equity method		411,796	1,568,705	2,394,718	4,888,392	5,104,571
Property, plant and equipment		131,258	163,252	312,043	556,554	558,152
Intangible assets		207,379	201,997	195,559	49,062	42,380
Other Assets		210,186	123,835	1,243,904	1,079,372	578,741

Total assets		5,069,850	7,763,957	21,771,603	20,616,471	19,740,125
Current liabilities	Before distribution	1,139,419	2,320,234	5,770,660	3,127,239	2,291,371
	After distribution	974,108	1,904,713	2,605,663	1,544,740	(Note 2)
Non-current liabilities		66,875	127,562	155,348	94,519	129,711
Total liabilities	Before distribution	1,206,294	2,447,796	5,926,008	3,221,758	2,421,082
	After distribution	1,040,983	2,032,275	2,761,011	1,639,259	(Note 2)
Share Capital		1,656,875	1,665,880	1,865,453	1,865,453	1,212,545
Capital reserve		1,148,297	2,064,369	6,986,364	8,615,095	8,621,547
Retained Surplus	Before distribution	1,110,016	1,610,286	7,047,009	6,952,318	7,520,032
	After distribution	944,705	1,194,765	3,882,012	5,369,819	(Note 2)
Other Equity		(51,632)	(14,925)	(43,782)	(28,704)	(26,923)
Treasury stock		-	(9,449)	(9,449)	(9,449)	(8,158)
Total equity	Before distribution	3,863,556	5,316,161	15,845,595	17,394,713	17,319,043
	After distribution	3,698,245	4,900,640	12,680,598	15,812,214	(Note 2)

Note 1: The financial information for 2019 to 2023 has been audited and certified by the accountants.

Note 2: The proposed distribution of earnings for 2023 has not yet been approved by the shareholders at the Annual General Meeting.

## (2) Condensed Consolidated Profit and Loss Account

### 1. Consolidated financial reporting

Unit : NT\$ thousands

Item \ Year	Financial information for the last five years (Note)				
	2019	2020	2021	2022	2023
Operating Income	9,166,293	10,879,700	22,868,238	19,680,425	16,286,520
Gross profit	1,825,732	2,381,176	10,663,977	7,145,025	5,282,476
Operating Profit and Loss	353,341	793,248	7,717,117	3,868,820	2,346,045
Non-operating income and expenses	8,832	43,092	69,433	87,587	455,716
Net Income before Tax	362,173	836,340	7,786,550	3,956,407	2,801,761
Net profit for the period from continuing operations	308,456	731,828	6,389,635	3,269,185	2,367,199
Loss of closed units	-	-	-	-	-
Net income (loss) for the period	308,456	731,828	6,389,635	3,269,185	2,367,199
Other comprehensive income or loss for the period (Net after tax)	(18,649)	22,053	10,950	163,932	(159,661)
Total consolidated profit or loss for the period	289,807	753,881	6,400,585	3,433,117	2,207,538
Net profit attributable to owners of the parent company	308,456	665,581	5,852,244	3,070,306	2,150,213
Net income attributable to noncontrolling interests	-	66,247	537,391	198,879	216,986
Total consolidated profit or loss attributable to owners of the parent	308,456	676,795	5,821,653	3,085,384	2,151,994
Total comprehensive income or loss attributable to non-controlling interests	-	77,086	578,932	347,733	55,544
EPS (dollar)	1.92	4.07	33.83	16.49	13.29

Note: The financial information for 2019 to 2023 has been audited and certified by the accountants.

## 2. Condensed parent company only consolidated income statement

Unit : NT\$ thousands

Item \ Year	Financial information for the last five years (Note)				
	2019	2020	2021	2022	2023
Operating Income	7,658,431	8,466,774	18,032,483	14,405,751	10,976,678
Gross profit	1,472,923	1,709,471	8,193,944	5,747,223	4,238,726
Operating Profit and Loss	309,623	579,486	6,162,284	3,537,963	2,197,083
Non-operating income and expenses	36,454	157,466	833,898	213,910	375,073
Net Income before Tax	346,077	736,952	6,996,182	3,751,873	2,572,156
Net profit for the period from continuing operations	308,456	665,581	5,852,244	3,070,306	2,150,213
Loss of closed units	-	-	-	-	-
Net income (loss) for the period	308,456	665,581	5,852,244	3,070,306	2,150,213
Other comprehensive income or loss for the period	(18,649)	11,214	(30,591)	15,078	1,781
Total consolidated profit or loss for the period (Net after tax)	289,807	676,795	5,821,653	3,085,384	2,151,994
EPS (dollar)	1.92	4.07	33.83	16.49	13.29

Note: The financial information for the years 2019 to 2023 has been audited and certified by the accountants.

### (3) CPA Audit Status

Year	Firm	CPA	Opinion
2019	KPMG Taiwan	CHOU, PAO-LIEN MEI, YUAN-CHEN	Unqualified opinion
2020	KPMG Taiwan	CHOU, PAO-LIEN MEI, YUAN-CHEN	Unqualified opinion
2021	KPMG Taiwan	CHOU, PAO-LIEN MEI, YUAN-CHEN	Unqualified opinion
2022	KPMG Taiwan	CHOU, PAO-LIEN MEI, YUAN-CHEN	Unqualified opinion
2023	KPMG Taiwan	HSIAO, PEI-JU、LI, FANG-YI	Unqualified opinion

## 2. Five-Year Financial Analysis

### (1) Consolidated financial analysis

Item \ Year		Financial information for the last five years				
		2019	2020	2021	2022	2023
Financial Structure (%)	Debt to assets ratio	34.75	32.29	28.44	16.94	14.78
	Long-term capital to property, plant and equipment ratio	1,638.09	1,649.27	2,414.10	1,672.16	1,725.57
Solvency (%)	Mobility Ratio	273.28	300.59	321.01	536.63	533.27
	Quick Ratio	195.00	248.80	270.56	473.80	472.61
	Interest cover multiplier	1,437.57	11,651.66	63,374.42	17,059.18	109,586.56
Operating Capabilities	Receivables turnover rate (times)	3.86	5.49	6.81	5.12	6.56
	Average number of days of receipt	95	66	54	71	56
	Inventory turnover rate (times)	4.08	5.42	4.90	4.10	4.55
	Turnover rate of accounts payable (times)	5.65	5.16	4.32	4.71	5.91
	Average number of sales days	89	67	74	89	80
	Property, plant and equipment turnover rate (times)	54.14	37.68	45.87	22.89	15.63
	Total Asset Turnover (Times)	1.48	1.43	1.36	0.79	0.65
Profitability	Return on Assets (%)	5.34	9.71	38.14	13.22	9.42
	Return on Equity (%)	8.21	15.94	60.39	19.67	13.64
	Net income before income tax to paid-in capital (%)	21.86	50.20	417.41	212.09	231.06
	Net profit rate (%)	3.37	6.73	27.94	16.61	14.53
	Earnings per share (NT\$)	1.92	4.07	33.83	16.49	13.29
Cash Flow	Cash flow ratio (%)	38.17	101.02	60.14	138.64	92.81
	Cash flow fair ratio (%)	46.73	160.00	168.39	168.59	169.59
	Cash reinvestment ratio (%)	13.25	41.74	20.42	11.24	8.46
Leverage	Operating leverage	1.29	1.23	1.03	1.10	1.23
	Financial leverage	1.08	1.01	1.00	1.01	1.00
<p>Recent changes in financial ratios over the past two years (if the increase/decrease is less than 20%, analysis may be omitted):</p> <ol style="list-style-type: none"> <li>1. Interest Coverage Ratio: This has increased primarily due to a reduction in external borrowing, which in turn has decreased interest expenses.</li> <li>2. Accounts Receivable Turnover and Average Collection Period: This ratio has increased and the collection days have decreased due to shorter payment terms from major customers.</li> <li>3. Accounts Payable Turnover: This ratio has increased due to shorter payment periods with major suppliers.</li> <li>4. Turnover Ratio of Property, Plant, and Equipment: This has decreased mainly due to a reduction in market demand, leading to lower revenue.</li> <li>5. Return on Assets and Return on Equity: These ratios have decreased primarily due to reduced market demand and declining revenue.</li> <li>6. Cash Flow Ratio and Cash Reinvestment Ratio: These ratios have decreased due to reduced demand, lower revenue, and a decrease in net cash flow from operating activities.</li> </ol>						

Note: The financial information for 2019 to 2023 was audited and certified by the accountants.

(2) Parent company only financial analysis

Item \ Year		Financial information for the last five years				
		2019	2020	2021	2022	2023
Financial Structure (%)	Debt to assets ratio	23.79	31.53	27.22	15.63	12.26
	Long-term capital to property, plant and equipment ratio	2,994.43	3,334.55	5,127.80	3,142.41	3,126.17
Solvency (%)	Mobility Ratio	360.64	245.93	305.43	449.06	587.26
	Quick Ratio	256.70	193.58	259.15	389.17	543.70
	Interest cover multiplier	2,159.12	25,644.26	63,060.60	30,992.33	2,108,424.59
Operating Capabilities	Receivables turnover rate (times)	3.41	4.84	5.76	3.97	4.86
	Average number of days of receipt	107	75	63	92	75
	Inventory turnover rate (times)	4.36	5.20	4.86	3.70	4.37
	Turnover rate of accounts payable (times)	5.51	4.90	3.99	3.90	5.35
	Average number of sales days	84	70	75	99	84
	Property, plant and equipment turnover rate (times)	95.80	57.50	75.88	33.17	19.69
	Total Asset Turnover (Times)	1.39	1.32	1.22	0.68	0.54
Profitability	Return on Assets (%)	5.84	10.41	39.69	14.53	10.66
	Return on Equity (%)	8.21	14.50	55.31	18.47	12.39
	Net income before income tax to paid-in capital (%)	20.89	44.24	375.04	201.12	212.13
	Net profit rate (%)	4.03	7.86	32.45	21.31	19.59
	Earnings per share (NT\$)	1.92	4.07	33.83	16.49	13.29
Cash Flow	Cash flow ratio (%)	61.25	101.93	51.95	151.83	114.87
	Cash flow fair ratio (%)	85.31	178.43	181.08	150.21	148.67
	Cash reinvestment ratio (%)	12.75	40.56	16.09	8.86	5.84
Leverage	Operating leverage	1.22	1.21	1.02	1.06	1.14
	Financial leverage	1.06	1.01	1.00	1.00	1.00
<p>Recent changes in financial ratios over the past two years (if the increase/decrease is less than 20%, analysis may be omitted):</p> <ol style="list-style-type: none"> <li>1. Debt to Asset Ratio: This has decreased mainly due to reduced purchases this year, which in turn decreased accounts payable.</li> <li>2. Current Ratio and Quick Ratio: These ratios have increased due to reduced purchases this year, which decreased accounts payable.</li> <li>3. Interest Coverage Ratio: This has increased primarily due to a reduction in external borrowing, which in turn has decreased interest expenses.</li> <li>4. Accounts Receivable Turnover: This ratio has increased and the collection days have decreased due to shorter payment terms from major customers.</li> <li>5. Accounts Payable Turnover: This ratio has increased due to shorter payment periods with major suppliers.</li> <li>6. Turnover Ratio of Property, Plant, and Equipment, and Total Asset Turnover: These ratios have decreased primarily due to a reduction in market demand and lower revenue.</li> <li>7. Return on Assets and Return on Equity: These ratios have decreased primarily due to reduced market demand and declining revenue.</li> <li>8. Cash Flow Ratio and Cash Reinvestment Ratio: These ratios have decreased due to reduced demand, lower revenue, and a decrease in net cash flow from operating activities.</li> </ol>						

Note: The Company's financial information for 2019 to 2023 was audited and certified by the accountants.



Note 3: The calculation formula is as follows.

1. Financial Structure

- (1) Debt to asset ratio = Total liabilities / Total assets.
- (2) Long-term capital to property, plant and equipment = (Total equity + non-current liabilities) / net property, plant and equipment.

2. Solvency

- (1) Current ratio = Current assets / Current liabilities.
- (2) Quick ratio = (current assets - inventories - prepaid expenses) / current liabilities.
- (3) Interest coverage = Net income before income tax and interest expense / Interest expense for the period.

3. Management capability

- (1) Turnover rate of accounts receivable (including accounts receivable and notes receivable arising from operations) = net sales / average balance of accounts receivable (including accounts receivable and notes receivable arising from operations) for each period.
- (2) Average collection days = 365/receivable turnover rate.
- (3) Inventory turnover rate = Cost of goods sold / average inventory amount.
- (4) Turnover rate of accounts payable (including accounts payable and notes payable arising from operations) = cost of goods sold / average balance of accounts payable (including accounts payable and notes payable arising from operations) for each period.
- (5) Average sales days = 365 / Inventory turnover rate.
- (6) Turnover rate of property, plant and equipment = net sales / average net property, plant and equipment.
- (7) Total Asset Turnover = Net Sales / Average Total Assets.

4. Profitability

- (1) Return on assets = [Profit and loss after tax + interest expense  $\times$  (1 - tax rate)] / average total assets.
- (2) Return on equity = Profit or loss after tax / average total equity.
- (3) Net profit margin = profit or loss after tax / net sales.
- (4) Earnings per share = (Profit or loss attributable to owners of the parent company - preferred stock dividends) / weighted-average number of shares outstanding.

5. Cash flow

- (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities.
- (2) Net cash flow fair ratio = Net cash flow from operating activities for the last five years / (capital expenditures + increase in inventories + cash dividends) for the last five years.
- (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other noncurrent assets + working capital).

6. Leverage.

- (1) Operating leverage = (net operating revenues - variable operating costs and expenses) / operating income.
- (2) Financial leverage = Operating income / (Operating income - interest expense).

- 3. Audit Committee Review Report for the Most Recent Annual Financial Statements:**  
Please refer to page 91 of this annual report.
- 4. Most Recent Annual Financial Statements:** Please refer to pages 103 to 168 of this annual report.
- 5. Most Recent Audited Parent Company Only Financial Statements:** Please refer to pages 169 to 227 of this annual report.
- 6. Financial Difficulties of the Company and Its Associates in the Most Recent Fiscal Year and up to the Date of the Annual Report Publication, Including Impact on the Company's Financial Position:** None.

Fitipower Integrated Technology Inc.

**Audit Committee Review Report**

The Board of Directors prepared the financial statements for the year ended December 31, 2023, which were audited by CPAs at KPMG Taiwan. The CPAs issued an audit report without qualified opinion. After examining the abovementioned financial statements, business report and proposal for distribution of earnings, the Audit Committee found no discrepancy and issued a report in accordance with the Securities and Exchange Act and the Company Act.

2024 Annual Shareholders' Meeting, Fitipower Integrated Technology Inc.

Audit Committee

Convener: CHEN, BI-FENG



APR. 19, 2024

## VII. Review of Financial Conditions, Operating Results, and Risk Management

### 1. Analysis of Financial Status

Unit : NT\$ thousands ; %

Item \ Year	2023.12.31	2022.12.31	Difference	
			Amount	%
Current Assets	17,308,248	21,818,371	(4,510,123)	(20.67)
Property, plant and equipment	1,028,598	1,054,976	(26,378)	(2.50)
Right-of-use assets	76,512	40,835	35,677	87.37
Intangible assets	63,003	83,883	(20,880)	(24.89)
Other Assets	6,395,920	2,457,392	3,938,528	160.27
<b>Total Assets</b>	<b>24,872,281</b>	<b>25,455,457</b>	<b>(583,176)</b>	<b>(2.29)</b>
Current liabilities	3,245,705	4,065,787	(820,082)	(20.17)
Non-current liabilities	430,108	246,161	183,947	74.73
<b>Total liabilities</b>	<b>3,675,813</b>	<b>4,311,948</b>	<b>(636,135)</b>	<b>(14.75)</b>
Share capital	1,212,545	1,865,453	(652,908)	(35.00)
Capital surplus	8,621,547	8,615,095	6,452	0.07
Retained earnings	7,520,032	6,952,318	567,714	8.17
Other equity	(26,923)	(28,704)	1,781	(6.20)
Treasury stock	(8,158)	(9,449)	1,291	(13.66)
Non-controlling interests	3,877,425	3,748,796	128,629	3.43
<b>Total equity</b>	<b>21,196,468</b>	<b>21,143,509</b>	<b>52,959</b>	<b>0.25</b>
<p>(1) Changes in proportion analysis explanation (changes reaching 20% or more and the amount of change reaching 10 million or more):</p> <ol style="list-style-type: none"> <li>1. Decrease in current assets: Mainly due to a reduction in bank deposits, which were transferred to time deposits with original maturity dates exceeding three months (classified as financial assets measured at amortized cost - non-current).</li> <li>2. Increase in right-of-use assets: Mainly due to an increase in leasing contracts.</li> <li>3. Decrease in intangible assets: Mainly due to increased amortization of computer software.</li> <li>4. Increase in other assets: Mainly due to an increase in time deposits with original maturity dates exceeding three months.</li> <li>5. Decrease in current liabilities: Mainly due to the decrease in purchases this year, resulting in a relative decrease in payable amounts.</li> <li>6. Increase in non-current liabilities: Mainly due to an increase in deposits received.</li> <li>7. Reduction in share capital: Mainly due to cash capital reduction conducted this year to adjust the capital structure and improve the return on equity for shareholders.</li> </ol> <p>(2) If the above changes have a significant impact, explain the future response plan: The above differences are part of normal business activities and have no significant impact on the financial condition.</p>				

## 2. Analysis of Operation Results

Unit : NT\$ thousands

Item \ Year	2023	2022	Amount of increase or decrease	Variation (%)
Operating Income	16,286,520	19,680,425	(3,393,905)	(17.25)
Operating Costs	11,004,044	12,535,400	(1,531,356)	(12.22)
Gross profit	5,282,476	7,145,025	(1,862,549)	(26.07)
Operating Expenses	2,936,431	3,276,205	(339,774)	(10.37)
Net profit	2,346,045	3,868,820	(1,522,775)	(39.36)
Non-operating income and expenses	455,716	87,587	368,129	420.30
Net profit before tax	2,801,761	3,956,407	(1,154,646)	(29.18)
Less: Income tax expense	434,562	687,222	(252,660)	(36.77)
Net profit for the period	2,367,199	3,269,185	(901,986)	(27.59)
Other comprehensive income (net of tax)	(159,661)	163,932	(323,593)	(197.39)
Total comprehensive income or loss for the period	2,207,538	3,433,117	(1,225,579)	(35.70)
<p>(1) Changes in proportion analysis explanation (changes reaching 20% or more and the amount of change reaching 10 million or more):</p> <ol style="list-style-type: none"> <li>1. Gross profit, operating net profit, pre-tax net profit, net profit for the period, and total comprehensive income for the period: Mainly due to the decrease in market demand, resulting in a decline in revenue and profit, leading to a decrease in gross profit and net profit.</li> <li>2. Non-operating income and expenses: Mainly due to increased interest income and gains from financial assets measured at fair value through profit or loss.</li> <li>3. Income tax expenses: Mainly due to the decrease in market demand, resulting in a decline in revenue and profit, leading to a decrease in income tax expenses.</li> <li>4. Other comprehensive income: Mainly due to the decrease in exchange rate differences from the conversion of financial statements of foreign operating entities, leading to an decrease in other comprehensive income.</li> </ol> <p>(2) Expected sales volume and its basis, possible impact on the Company's future financial operations and contingency plans</p> <p>Based on the current customer progress, industry profile and market size growth, the Company expects to maintain a steady growth in sales volume in the coming year compared to the previous year. This will have a positive impact on the Company's future financial operations. In addition, the Company will continue to invest in research and development resources to maintain technological leadership, and continue to improve product quality and technology, satisfy customers and maintain a good relationship with suppliers, so that the products are more forward-looking and have a competitive cost advantage, which will help the Company to increase revenue and profitability in the future. This will help the Company to increase its revenue and profitability in the future.</p>				

### 3. Analysis of Cash Flow

#### (1) Analysis of recent annual cash flow movements

Item \ Year	2022	2023	Variation (%)
Cash flow ratio (%)	138.64	92.81	(33.06)
Cash flow allowance ratio (%)	168.59	169.59	0.59
Cash reinvestment ratio (%)	11.24	8.46	(24.73)
Changes in proportion analysis: 1. Cash flow ratio and cash reinvestment ratio: Mainly due to decreased market demand, reduced revenue, and decreased net cash flow from operating activities, resulting in a decrease in ratios.			

(2) Improvement plan for cash flow shortage in the recent year: No cash shortage.

(3) Cash flow analysis for the coming year

Unit: NT\$ thousands

Initial cash balance at the beginning of the period A	Estimated full year net cash flow from operating activities B	Projected annual cash outflow C	Estimated surplus (shortfall) of cash A + B + C	Remedial measures for cash shortfall	
				Investment Plan	Financial Planning
1,933,863	2,155,419	(2,100,348)	1,988,934	-	-
Cash flow changes analysis: 1. Operating activities: Mainly due to net cash inflows generated by operating revenue. 2. Investing activities: Mainly due to net cash outflows from capital expenditures for anticipated equipment purchases and increases in financial assets. 3. Financing activities: Mainly due to net cash outflows from the repurchase of treasury shares and the distribution of cash dividends.					

**4. Major Capital Expenditure Items:** None.

#### 5. Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

The Company's reinvestments is for long-term strategic purposes. The Company's investment income under the equity method amounted to NT\$209,572 thousand in 2023. In the future, the Company will continue to carefully evaluate its investment plans based on the principle of long-term strategic investment.

#### 6. Analysis of Risk Management

(1) Impact of changes in interest rates, exchange rates and inflation on the Company's profit and the response of the Company

##### 1. Effect of changes in interest rates

The Company's interest expense for 2023 was \$2,559 thousand, accounting for only 0.016% of operating income for the year. The Company maintains interactions with banks to obtain more favorable interest rates and will adjust the use of funds in accordance with changes in financial interest rates in order to reduce the impact of changes in interest rates on the Company's profit and loss.

##### 2. Effect of exchange rate changes

In the fiscal year 2023, the Company recorded an exchange gain of NT\$26,249 million. Given that the Company predominantly deals in transactions denominated in

US dollars, it faces exchange rate risk in transactions conducted in currencies other than its functional currency. To mitigate this risk, the Company employs derivative financial instruments like forward foreign exchange and currency swap contracts. These instruments are utilized based on the principle that the net foreign currency position does not surpass the foreign currency net position resulting from operations, thus ensuring the fulfillment of financial hedging strategy objectives.

### 3. Effect of Inflation

The Company has not been significantly affected by inflation. The Company monitors the fluctuation of raw material market prices and maintains good interaction with suppliers and customers to reduce the impact of inflation.

- (2) Policies on engaging in high-risk, highly leveraged investments, lending of funds to others, endorsement of guarantees and derivative transactions, the main reasons for profits or losses and the response of the Company

(1) The Company does not engage in high-risk, highly leveraged investments based on a conservative business philosophy.

(2) The Company has established the "Procedures for Lending and Endorsement of Funds" and "Procedures for the Acquisition or Disposal of Assets" as the basis for the Company and its subsidiaries to follow. As of the date of the annual report, the Company has not lent any funds to others except for endorsement of guarantees for operational needs of the Company.

- (3) Future Research and Development Plans and Estimated R&D Expenditure

#### 1. Future Research and Development Plans

##### (1) Display driver IC

- A. Innovative smart charge recovery control technology for energy-saving drive IC
- B. 8-bit 2886ch built-in timing control panel drive IC
- C. 6/8-bit high-speed interface 1452ch, 1926ch source driver IC
- D. Innovative multi-chip IC synchronous testing technology drive IC
- E. P2P 4Gpbs TV & MNT panel driver IC

##### (2) Power Management IC

- A. DC brushless motor driver and control IC based on M0+ MCU.
- B. DDR5 modules, power management IC.
- C. High voltage LDO and step-down IC for industrial and automotive applications.
- D. High voltage DC motor driver IC.
- E. 40V high current DC step-down IC.
- F. Wearable devices, integrated power management IC.
- G. Colour e-book power management IC.
- H. Low-power notebook power management IC

##### (3) Other related semiconductors

- A. eDP 1.2 high refresh rate timing control IC
- B. eDP 1.5 high-end timing control IC

#### 2. Estimated Investment in Research and Development

As a professional IC design company, the Company adheres to the principles of in-depth technology development and independent development to continuously develop new products to strengthen the Company's competitive edge in the market. The Company expects to continue to invest in R&D manpower and funding in the coming year, which is expected to account for approximately 10% to 15% of revenue. The Company will carefully assess the market risks and investment benefits before investing in any R&D expenditure.

- (4) Impact of important domestic and international Law and legal changes on the Company's financial operations and the response of the Company

The Company's operations are conducted in accordance with relevant domestic and overseas laws and regulations, and it keeps a close watch on domestic and overseas policy trends and changes in regulations to keep abreast of changes in the market environment and to propose timely and proactive measures in response. As at the date of this annual report, the Company has not been subject to any significant changes in domestic or overseas policies and laws that would have an impact on its financial operations.

- (5) Impact of technological changes (including information and communications security risks) and industry changes on the Company's financial operations and the response of the Company

The Company has accumulated considerable depth and breadth in technology research and development, and the quality of our products is well recognized by customers. The Company's management regularly monitors changes in the market and trends in technological changes and evaluates the risks and impact on product placement, with a view to reducing all risk factors and creating maximum benefits for shareholders. In addition, the Company will continue to invest in the research and development of new product projects, keep track of product development schedules, and maintain a sound financial structure to maintain flexibility in the deployment of funds to meet future market changes. For the most recent year and up to the date of printing of the annual report, technological changes and industry changes have not had a material impact on the Company's financial operations.

The Company has established network and computer security safeguards and continually reviews the appropriateness and effectiveness of its IT security policies and has signed mutual confidentiality agreements with all customers to protect confidential information. As at the date of this annual report, there have been no material breaches of information security requirements.

- (6) Impact of the change in corporate image due to corporate crisis management and the response of the Company

Since its establishment, the Company has complied with relevant laws and regulations, actively strengthened internal management and improved management quality and performance, while maintaining harmonious labour relations in order to continuously maintain an excellent corporate image. As at the date of publication of the annual report, there were no matters affecting the corporate image.

- (7) Expected benefits, possible risks and responses to mergers and acquisitions.

As at the date of printing of the annual report, the Company did not have any merger and acquisition plans.

- (8) Expected benefits, possible risks and contingency measures for plant expansion.

As at the date of the annual report, the Company had no plans to expand its plant.

- (9) Risks of concentration of imports or sales and the response of the Company

1. Risk of concentration of imports

The Company actively establishes long-term cooperative relationships with various OEMs, keeps a close contact with them and maintains close contact with them at all times to monitor the production status.

2. Risk of concentration of sales

The company's sales target changes are mainly due to the changes in end-customer demand, product market changes, product application field development, customer procurement strategies, and other factors. The company will continue to actively explore new markets and new customers to reduce the proportion of shipments from a single customer. In 2023, only one customers accounted for more than 10% of total sales.

Overall, the company has no significant risk of sales concentration.

- (10) Impact, risk and response to the substantial shift or change in shareholding of directors or



substantial shareholders holding more than 10% of the shares of the Company

All transfers or replacements of shareholdings by directors or substantial shareholders holding more than 10% of the shares of the Company in the most recent year and up to the date of printing of the annual report have been reported in accordance with the pre-approval and post-approval requirements, and no material impact on the Company.

- (11) Impact of changes in operating rights on the Company, risks and the response of the Company

There has been no change in the Company's operating rights in the latest year and up to the date of printing of the annual report.

- (12) Litigation or non-litigation events

1. Significant litigation, non-litigation or administrative disputes that have been determined or are still pending as at the date of the latest annual report of the Company: None.
2. Significant litigation, non-litigation or administrative proceedings that have been determined or are still pending against the Company's directors, general manager, beneficial owners, substantial shareholders holding more than 10% of the shares and subsidiaries, the outcome of which may have a material impact on shareholders' equity or securities prices: None.

- (13) Other significant risks and the response of the Company: None.

**7. Other Important Matters: None.**

## VIII. SPECIAL DISCLOSURE

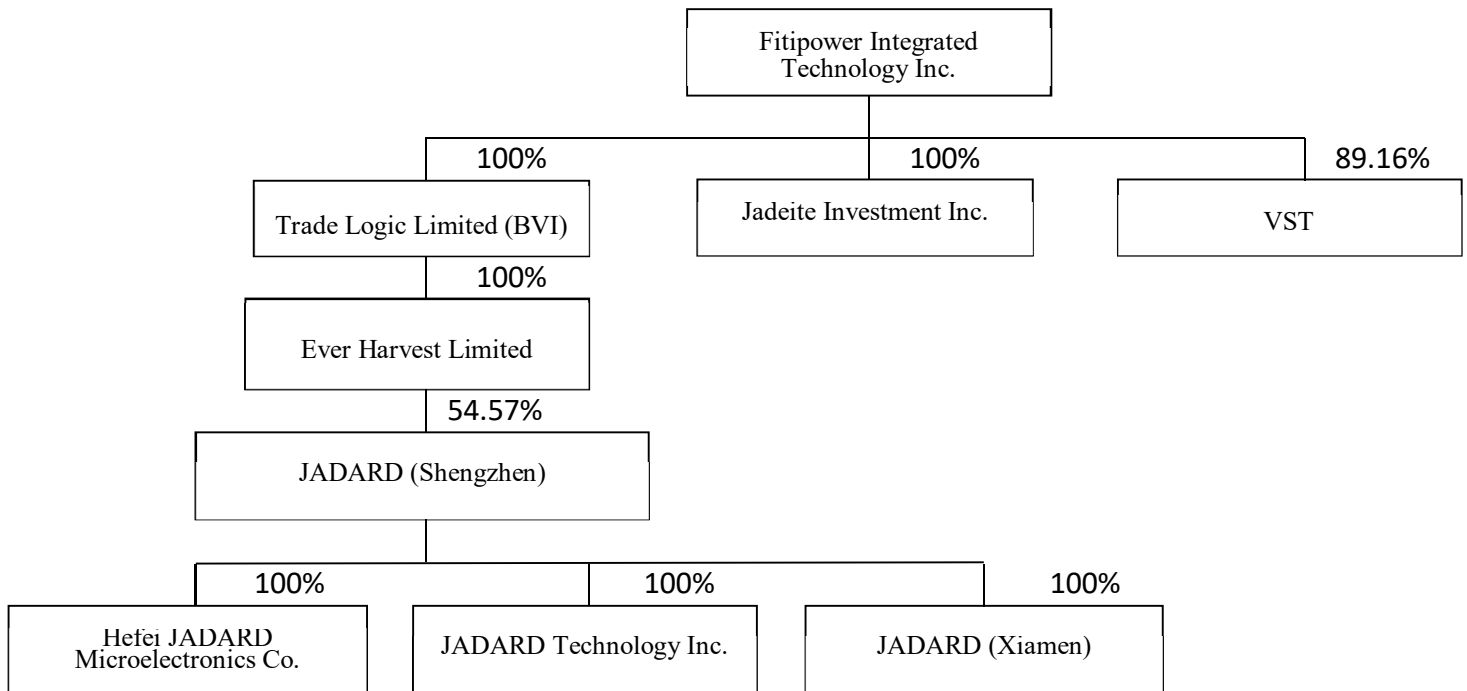
### 1. Summary of Affiliated Companies

#### (1) Report on Consolidated Operations of Affiliated Companies:

##### 1. Overview

##### (1) Organizational Chart:

Dec. 31, 2023



Note 1: JADARD (Xiamen) completed its liquidation process in December 2023.

Note 2: VISUAL SENSING TECHNOLOGY CO., LTD. was dissolved in October 2023 but has not yet completed its liquidation.

## 2. Basic Information on Affiliates

Dec. 31, 2023

Name	Date of establishment	Location	Paid-in capital	Business
Trade Logic Limited	2010.05.28	British Virgin Islands	USD 10,000	General Investment
Ever Harvest Limited	2010.05.28	Samoa	USD 10,000	General Investment
JADARD (Shengzhen)	2010.11.03	Shenzhen	RMB 409,021	IC Design
Hefei JADARD Microelectronics Co.	2017.07.11	Hefei	RMB 50,000	Supply Chain Management
JADARD Technology Inc.	2017.03.09	Hong Kong	TWD 270,264	General Trading
JADARD (Xiamen) (Note 1)	2021.08.05	Xiamen, Mainland China	RMB 1,000	Supply Chain Management
VISUAL SENSING TECHNOLOGY CO., LTD. (Note 2)	2017.09.04	Hsinchu	TWD 257,970	IC Design
Jadeite Investment Inc.	2022.05.24	Taipei City	TWD 500,000	General Investment

Note 1: JADARD (Xiamen) completed its liquidation process in December 2023.

Note 2: VISUAL SENSING TECHNOLOGY CO., LTD. was dissolved in October 2023 but has not yet completed its liquidation.

3. If a relationship of control or subordination is presumed under Article 369ter of this Law, the following shall be disclosed: None.

4. The industries covered by the business operations of the affiliated enterprises as a whole. If the businesses of the affiliated enterprises are related to each other, the division of labour between them shall be described as follows.

Name	Business	Details
Trade Logic Limited	General Investment	NA
Ever Harvest Limited	General Investment	NA
JADARD (Shengzhen)	IC Design	R&D and sales of small size panel driver IC
Hefei JADARD Microelectronics Co.	Supply Chain Management	Small Size Panel Driver IC Outsourcing Centre
JADARD Technology Inc.	General Trading	Sales of small size panel driver ICs
JADARD (Xiamen) (Note 1)	Supply Chain Management	Small Size Panel Driver IC Outsourcing Centre
VISUAL SENSING TECHNOLOGY CO., LTD. (Note 2)	IC Design	IC R&D and Sales
Jadeite Investment Inc.	General Investment	NA

Note 1: JADARD (Xiamen) completed its liquidation process in December 2023.

Note 2: VISUAL SENSING TECHNOLOGY CO., LTD. was dissolved in October 2023 but has not yet completed its liquidation.

5.The names of the directors, supervisors and general managers of each related company and their shareholdings or capital contributions to the company

Dec. 31, 2023

Name	Title	Rept.	Shareholding	
			Shares(thousand)	Ratio
Trade Logic Limited	Director	Fitipower Integrated Technology Inc.	30	100%
Ever Harvest Limited	Director	Fitipower Integrated Technology Inc.	10,000	100%
JADARD (shenzhen)	Chairman / General Manager	KUO, YING-LIN	16,962	4.15%
	Director	MEI, TSON-YANG	1,714	0.42%
	Director	HSIEH, REI-CHANG	1,297	0.32%
	Director	SHI, CHIN	-	-
	Independent Director	CHENG, KUANG-TING	-	-
	Independent Director	HAN, JIEN-CHUN	-	-
	Independent Director	CHEN, HUI	-	-
	Supervisor	CHEN, PO-TSAN	-	-
	Supervisor	KUO, JENG-FANG	-	-
	Supervisor	CHANG, YI	-	-
Hefei JADARD Microelectronics Co.	Chairperson	KUO, YING-LIN	-	-
	General Manager	HSIEH, RUI-CHANG	-	-
	Supervisor	DENG, LING-LING	-	-
JADARD Technology Inc.	Responsible person	KUO, YING-LIN	-	-
JADARD (Xiamen) (Note 1)	Chairperson/General Manager	HSIEH, RUI-CHANG	-	-
	Supervisor	DENG, LING-LING	-	-
VISUAL SENSING TECHNOLOGY CO., LTD. (Note 2)	Chairperson	Fitipower Integrated Technology Inc. Rept.:LIN, YUNG-CHIEH	23,000	89.16%
	Director	Fitipower Integrated Technology Inc. Rept.:CHIU, SHU-HUI	23,000	89.16%
	Director	Fitipower Integrated Technology Inc. Rept.:WU, CHI-YEN	23,000	89.16%

Name	Title	Rept.	Shareholding	
			Shares(thousand)	Ratio
	Supervisor	CHEN, PO-CAN	-	-
Jadeite Investment Inc.	Chairperson	Fitipower Integrated Technology Inc. Rept.:LIN, YUNG-CHIEH	50,000	100%

Note 1: JADARD (Xiamen) completed its liquidation process in December 2023.

Note 2: VISUAL SENSING TECHNOLOGY CO., LTD. was dissolved in October 2023 but has not yet completed its liquidation.

(2) Overview of the operations of our affiliates

Dec. 31, 2023; Unit: NT\$ thousands

Name	Amount of capital	Total Assets	Total liabilities	Net value	Operating income	Business Benefits	Profit or loss for the period (After tax)	Earnings per share (\$)
Trade Logic Limited	302,296	4,566,493	-	4,566,493	-	-	269,496	NA
Ever Harvest Limited	302,296	4,566,493	-	4,566,493	-	-	269,496	NA
Trade Logic Limited (Note 1)	1,790,797	9,340,011	899,954	8,440,057	4,310,506	377,381	493,517	1.21
Ever Harvest Limited (Note 1)	224,523	589,791	168,807	420,984	953,424	56,285	35,516	NA
JADARD (Shengzhen) (Note 1)	270,264	730,473	504,694	225,779	1,248,309	(229,895)	(209,398)	NA
Hefei JADARD Microelectronics Co. (Note 2)	4,344	-	-	-	-	(167)	(81)	NA
JADARD Technology Inc. (Note 3)	257,970	22,192	368	21,824	1,554	(58,211)	(79,896)	(3.10)
JADARD (Xiamen)	500,000	506,383	50	506,333	-	(80)	6,146	0.12

Note 1: The balance sheet items are based on the foreign exchange rates as of December 31, 2023: NTD to RMB at 4.327, NTD to USD at 30.705; the income statement items are based on the average exchange rates for the year 2023: NTD to RMB at 4.3828, NTD to USD at 31.1275.

Note 2: JADARD (Xiamen) completed its liquidation process in December 2023.

Note 3: VISUAL SENSING TECHNOLOGY CO., LTD. was dissolved in October 2023 but has not yet completed its liquidation.

**2. Private Placement Securities in the Most Recent Years: None.**

**3. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None.**

**4. Other items of description which needs to be supplemented: None.**

**5. Any event that had a material impact on the rights of shareholders or the prices of securities provided in Item 2, Paragraph 3, Article 36 of the Securities and Exchange Act occurred: None.**

**FITIPOWER INTEGRATED TECHNOLOGY INC.  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2023 and 2022**

Address: 3F, No.6-8, Duxing Rd., Hsinchu Science Park, Hsinchu City  
Telephone: (03)5788-618

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.



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## Independent Auditors' Report

To the Board of Directors of Fitipower Integrated Technology Inc.:

### Opinion

We have audited the consolidated financial statements of Fitipower Integrated Technology Inc. and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as of December 31, 2023 and 2022, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), 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 with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("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 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. Based on our audits and the report of another auditor, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Matter

We did not audit the financial statements of JADARD TECHNOLOGY INC. and its subsidiaries of the Group. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for JADARD TECHNOLOGY INC. and its subsidiaries, is based solely on the report of another auditor. The investment in JADARD TECHNOLOGY INC. and its subsidiaries accounted for using the equity method constituted 18.36% of the consolidated total assets on December 31, 2023, and the related share of profit of subsidiaries for using the equity method constituted 9.62% of the consolidated total profit before tax for the years then ended.

Fitipower Integrated Technology Inc. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion with other matters paragraph.



## 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 of the current period. 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.

### 1. Inventory valuation

Refer to Note 4(h) for accounting policy on inventory, Note 5 for accounting estimations and assumption uncertainty of inventory valuation, and Note 6(e) for the disclosure of inventories.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to the rapid changes in the environment and the continuous updating of production technology, there is a risk that the original products may become obsolete or no longer meet the market demand. The demand for and prices of the related products may fluctuate, and the estimation of the net realizable value of inventories depends on the subjective judgment of the management of the Group. Therefore, the valuation of inventories has been identified as a key audit matter.

How the matter was addressed in our audit:

For the valuation of the inventories, we observed the physical count of inventories at the year end to inspect the condition of inventories; reviewed inventory aging reports, analyzed inventory turnovers and changes in its aging inventory for each period to assess the reasonableness of the Group's inventory provision rate; obtained the calculation schedule of the allowance for inventory valuation loss, and verified the consistency with the accounting records; evaluated the reasonableness of accounting policy, delved into the sales price adopted by management in valuation, and reviewed the sales and valuation which was based on the net realizable value used to assess the policy of management's estimation of inventory provision.

### 2. Revenue recognition

Refer to Note 4(n) for accounting policy of revenue recognition and Note 6(t) for the details of sales revenue.

Description of key audit matter:

The major business activities of the Group are the manufacture and sale of integrated circuits. The Group also offers research and development services with respect to the products presented above. Revenue is the key indicator to evaluate the performance by investors and management, and thus, needs significant attention in our audit.

How the matter was addressed in our audit:

Our audit procedures in this area included, among others: testing the effectiveness of related controls of revenue recognition and reviewing relevant sales documents to evaluate whether the revenue recognition was consistent with the accounting policy; performing trend analysis of the ten largest customers and revenue of each product category, so as to assess whether there was material abnormality, if any; testing the sales transactions before and after the end of the year and relevant documents to evaluate the accuracy of the amount and period of revenue recognition.

## **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 with the IFRSs, IASs, IFRC, 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 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 auditor's 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 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 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 auditor's 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 the 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 of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hsiao, Pei-Ju and Lee, Fang-Yi.

KPMG

Taipei, Taiwan (Republic of China)  
February 27, 2024

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its cash flows in accordance with the 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 accepted and applied in the Republic of China.

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**December 31, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollars)**

		<b>December 31, 2023</b>		<b>December 31, 2022</b>				<b>December 31, 2023</b>		<b>December 31, 2022</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>			<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Assets</b>						<b>Liabilities and Equity</b>					
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents(note (6)(a))	\$ 1,933,863	8	6,758,947	27	2100	Short-term borrowings(note (6)(m))	\$ -	-	220,734	1
1110	Current financial assets at fair value through profit or loss(notes (6)(b)and (13))	10,583,314	43	9,642,472	38	2120	Current financial liabilities at fair value through profit or loss(note (6)(b))	-	-	1,306	-
1136	Current financial assets at amortised cost, net(notes (6)(a)and (8))	132,710	-	200	-	2130	Current contract liabilities(note (6)(t))	32,581	-	133,496	1
1170	Accounts receivable, net(note (6)(d))	2,296,971	9	2,569,838	10	2170	Accounts payable(note (7))	1,829,927	7	1,891,917	7
1181	Accounts receivable due from related parties(notes (6)(d)and (7))	-	-	89,495	-	2200	Other payables(note (6)(l))	814,704	4	959,295	4
1197	Finance lease payment receivable	11,177	-	12,828	-	2230	Current tax liabilities	518,842	2	800,658	3
1200	Other receivables, net	238,587	1	72,238	-	2280	Current lease liabilities(note (6)(n))	29,771	-	32,536	-
130X	Inventories, net(note (6)(e))	1,945,787	8	2,506,847	10	2399	Other current liabilities, others	19,880	-	25,845	-
1410	Prepayments and other current assets(note (6)(f))	165,839	1	165,506	2			3,245,705	13	4,065,787	16
		17,308,248	70	21,818,371	87						
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>					
1517	Non-current financial assets at fair value through other comprehensive income(notes (6)(c)and (13))	14,330	-	-	-	2570	Deferred tax liabilities(note (6)(p))	76,974	-	71,251	-
1536	Non-current financial assets at amortised cost(note (6)(a))	5,668,370	23	-	-	2580	Non-current lease liabilities(note (6)(n))	46,829	-	8,633	-
1600	Property, plant and equipment(note (6)(i))	1,028,598	4	1,054,976	4	2645	Guarantee deposits received	306,305	1	166,277	1
1755	Right of use assets(note (6)(j))	76,512	-	40,835	-			430,108	1	246,161	1
1780	Intangible assets(note (6)(k))	63,003	-	83,883	-		<b>Total liabilities</b>	3,675,813	14	4,311,948	17
1840	Deferred tax assets(note (6)(p))	63,706	-	51,363	-		<b>Equity attributable to owners of parent:(notes 6(g), (h), (q) and (r))</b>				
1900	Other non-current assets(note (6)(l))	649,514	3	2,394,852	9	3110	Ordinary share	1,212,545	5	1,865,453	7
194D	Long-term finance lease payment receivable	-	-	11,177	-	3200	Capital surplus	8,621,547	35	8,615,095	34
		7,564,033	30	3,637,086	13		<b>Retained earnings:</b>				
						3310	Legal reserve	1,160,976	5	853,945	3
						3320	Special reserve	28,704	-	43,782	-
						3350	Unappropriated retained earnings	6,330,352	25	6,054,591	24
								7,520,032	30	6,952,318	27
						3400	Other equity	(26,923)	-	(28,704)	-
						3500	Treasury shares	(8,158)	-	(9,449)	-
							<b>Total equity attributable to owners of parent:</b>	17,319,043	70	17,394,713	68
						36XX	Non-controlling interests	3,877,425	16	3,748,796	15
							<b>Total equity</b>	21,196,468	86	21,143,509	83
<b>Total assets</b>		<b>\$ 24,872,281</b>	<b>100</b>	<b>25,455,457</b>	<b>100</b>		<b>Total liabilities and equity</b>	<b>\$ 24,872,281</b>	<b>100</b>	<b>25,455,457</b>	<b>100</b>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)**

		<b>2023</b>		<b>2022</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue</b> (notes (6)(t)and (7))	\$ 16,286,520	100	19,680,425	100
5000	<b>Operating costs</b> (notes (6)(e), (l), (7)and (12))	<u>11,004,044</u>	<u>68</u>	<u>12,535,400</u>	<u>64</u>
5900	<b>Gross profit from operations</b>	<u>5,282,476</u>	<u>32</u>	<u>7,145,025</u>	<u>36</u>
<b>Operating expenses:</b> (notes (6)(d), (l), (n), (o), (r), (u), (7)and (12))					
6100	Selling expenses	353,227	2	409,600	2
6200	Administrative expenses	338,250	2	430,723	2
6300	Research and development expenses	2,245,262	14	2,442,571	12
6450	Impairment gains determined in accordance with IFRS 9	<u>(308)</u>	<u>-</u>	<u>(6,689)</u>	<u>-</u>
		<u>2,936,431</u>	<u>18</u>	<u>3,276,205</u>	<u>16</u>
6900	<b>Net operating income</b>	<u>2,346,045</u>	<u>14</u>	<u>3,868,820</u>	<u>20</u>
<b>Non-operating income and expenses:</b> (notes (6)(k), (n)and (v))					
7100	Interest income	222,468	1	84,410	-
7010	Other income	106,299	1	31,430	-
7020	Other gains and losses	129,508	1	(4,924)	-
7050	Finance costs	<u>(2,559)</u>	<u>-</u>	<u>(23,329)</u>	<u>-</u>
		<u>455,716</u>	<u>3</u>	<u>87,587</u>	<u>-</u>
7900	<b>Profit before income tax</b>	2,801,761	17	3,956,407	20
7950	Less: Income tax expenses(note (6)(p))	<u>434,562</u>	<u>2</u>	<u>687,222</u>	<u>3</u>
8000	<b>Profit</b>	<u>2,367,199</u>	<u>15</u>	<u>3,269,185</u>	<u>17</u>
8300	<b>Other comprehensive income: (note (6)(p)and(q))</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(7,932)	-	-	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>(7,932)</u>	<u>-</u>	<u>-</u>	<u>-</u>
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(149,258)	(1)	167,796	1
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>2,471</u>	<u>-</u>	<u>3,864</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(151,729)</u>	<u>(1)</u>	<u>163,932</u>	<u>1</u>
	<b>Other comprehensive income</b>	<u>(159,661)</u>	<u>(1)</u>	<u>163,932</u>	<u>1</u>
8500	<b>Total comprehensive income</b>	<u>\$ 2,207,538</u>	<u>14</u>	<u>3,433,117</u>	<u>18</u>
<b>Profit attributable to:</b>					
8610	Owners of parent	\$ 2,150,213	13	3,070,306	16
8620	Non-controlling interests	<u>216,986</u>	<u>2</u>	<u>198,879</u>	<u>1</u>
		<u>\$ 2,367,199</u>	<u>15</u>	<u>3,269,185</u>	<u>17</u>
<b>Comprehensive income attributable to:</b>					
8710	Owners of parent	\$ 2,151,994	13	3,085,384	16
8720	Non-controlling interests	<u>55,544</u>	<u>1</u>	<u>347,733</u>	<u>2</u>
		<u>\$ 2,207,538</u>	<u>14</u>	<u>3,433,117</u>	<u>18</u>
<b>Earnings per share (expressed in dollars)(note (6)(s))</b>					
9750	Basic earnings per share	<u>\$ 13.29</u>		<u>16.49</u>	
9850	Diluted earnings per share	<u>\$ 13.23</u>		<u>16.31</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent											
						Total other equity interest						
			Retained earnings				Unrealized losses on financial assets measured at fair value through other comprehensive income			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements		Total other equity interest	Treasury shares			
Balance at January 1, 2022	\$ 1,865,453	6,986,364	268,720	13,192	6,765,097	(43,782)	-	(43,782)	(9,449)	15,845,595	1,538,920	17,384,515
Profit	-	-	-	-	3,070,306	-	-	-	-	3,070,306	198,879	3,269,185
Other comprehensive income	-	-	-	-	-	15,078	-	15,078	-	15,078	148,854	163,932
Total comprehensive income	-	-	-	-	3,070,306	15,078	-	15,078	-	3,085,384	347,733	3,433,117
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	585,225	-	(585,225)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	30,590	(30,590)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(3,164,997)	-	-	-	-	(3,164,997)	-	(3,164,997)
Changes in ownership interests in subsidiaries	-	1,628,731	-	-	-	-	-	-	-	1,628,731	(1,636,704)	(7,973)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	3,498,847	3,498,847
Balance at December 31, 2022	1,865,453	8,615,095	853,945	43,782	6,054,591	(28,704)	-	(28,704)	(9,449)	17,394,713	3,748,796	21,143,509
Profit	-	-	-	-	2,150,213	-	-	-	-	2,150,213	216,986	2,367,199
Other comprehensive income	-	-	-	-	-	9,713	(7,932)	1,781	-	1,781	(161,442)	(159,661)
Total comprehensive income	-	-	-	-	2,150,213	9,713	(7,932)	1,781	-	2,151,994	55,544	2,207,538
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	307,031	-	(307,031)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	(15,078)	15,078	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,582,499)	-	-	-	-	(1,582,499)	-	(1,582,499)
Capital reduction	(652,908)	-	-	-	-	-	-	-	1,291	(651,617)	-	(651,617)
Changes in ownership interests in subsidiaries	-	4,479	-	-	-	-	-	-	-	4,479	(4,479)	-
Share-based payments	-	1,973	-	-	-	-	-	-	-	1,973	-	1,973
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	77,564	77,564
Balance at December 31, 2023	\$ 1,212,545	8,621,547	1,160,976	28,704	6,330,352	(18,991)	(7,932)	(26,923)	(8,158)	17,319,043	3,877,425	21,196,468

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2023	2022
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 2,801,761	3,956,407
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	429,321	331,080
Amortization expense	105,955	60,965
Expected credit gain	(308)	(6,689)
Net gain (loss) on financial assets or liabilities at fair value through profit or loss	(120,806)	93,071
Interest expense	2,259	23,329
Interest income	(222,468)	(84,410)
Compensation cost of share-based payment transaction	43,167	15,930
Loss on disposal of property, plan and equipment	250	813
Impairment loss and disposal loss on inventory	94,281	266,234
Other operating costs	-	96,857
Impairments loss on non-financial assets	15,527	183,365
<b>Total adjustments to reconcile profit</b>	<b>347,178</b>	<b>980,545</b>
<b>Changes in operating assets and liabilities:</b>		
Decrease in finance lease payment receivable	12,828	12,220
Decrease in accounts receivable	362,670	2,359,683
Decrease in other receivables	18,246	49,544
Decrease in inventories	466,779	565,308
(Increase) decrease in prepayments and other current assets	(333)	383,341
Decrease in accounts payable	(69,983)	(1,538,776)
Decrease in other payable	(140,692)	(182,637)
(Decrease) increase in current contract liabilities	(100,915)	49,042
(Decrease) increase in other current liabilities	(18,747)	1,210
<b>Total changes in operating assets and liabilities</b>	<b>529,853</b>	<b>1,698,935</b>
Cash inflow generated from operations	3,678,792	6,635,887
Interest received	39,702	85,017
Interest paid	(3,222)	(22,561)
Income taxes paid	(702,881)	(1,061,572)
<b>Net cash flows from operating activities</b>	<b>3,012,391</b>	<b>5,636,771</b>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(22,262)	-
Proceeds from disposal of financial assets at fair value through profit or loss	10,063,812	12,732,371
Acquisition of financial assets at fair value through profit or loss	(10,885,154)	(17,578,602)
(Increase) decrease in financial assets at amortized cost	(5,800,880)	560,000
Acquisition of property, plant and equipment	(378,788)	(668,459)
Proceeds from disposal of property, plant and equipment	1,118	-
Decrease (increase) in refundable deposits	1,731,231	(703,249)
Acquisition of intangible assets	(86,704)	(80,031)
Increase in other non-current assets	(16,351)	(73,217)
<b>Net cash flows from investing activities</b>	<b>(5,393,978)</b>	<b>(5,811,187)</b>
<b>Cash flows from financing activities:</b>		
Decrease in short-term borrowings	(220,734)	(557,074)
Increase (decrease) in guarantee deposits received	143,922	(5,708)
Payment of lease liabilities	(47,317)	(49,502)
Cash dividends paid	(1,582,499)	(3,164,997)
Capital reduction payments to shareholders	(651,617)	-
Change in non-controlling interests	77,564	3,498,847
<b>Net cash flows used in financing activities</b>	<b>(2,280,681)</b>	<b>(278,434)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(162,816)</b>	<b>169,592</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,825,084)</b>	<b>(283,258)</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>6,758,947</b>	<b>7,042,205</b>
<b>Cash and cash equivalents at the end of period</b>	<b>\$ 1,933,863</b>	<b>6,758,947</b>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

Fitipower Integrated Technology Inc. (hereinafter “the Company”) was incorporated on July 4, 1995, with the approval of the Ministry of Economic Affairs, and its registered office is located at 3F., No.6-8, Duxing Rd., Hsinchu Science Park, Hsinchu City. Upon the resolution of the shareholders' meeting on March 30, 2006, the Company merged with Hongxin Semiconductor Co.(hereinafter referred to as Hongxin) on May 1 of the same year. The Company's primary activities after the merger are research, development, production, manufacturing and sales of integrated circuits (ICs) for integrated service digital network system, memory ICs for communication, analog and digital hybrid ICs, as well as custom design, consumer ICs, and microcomputer peripheral ICs. Upon the resolution of the shareholders' meeting on April 16, 2010, the Company merged with TechPower Semiconductor Co (hereinafter "TechPower") with May 1, 2010 as the merger date, the Company was the surviving company and TechPower was extinguished after the merger. The Company's shares have been listed on Taiwan Stock Exchange since October 17, 2018. JADARD TECHNOLOGY INC., a significant subsidiary of the Company, was officially listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange on September 27, 2022, under the stock code of 688252.SH.

**(2) Approval date and procedures of the consolidated financial statements:**

These consolidated financial statements were authorized for issue by the Board of Directors on February 27, 2024.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Group has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

(Continued)



**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

**(4) Summary of material accounting policies:**

The material accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations” ) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis.

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

List of the subsidiaries included in the consolidated financial statements:

Name investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2023	December 31, 2022	
The Company	Trade Logic Limited (Trade Logic)	Investment company	100.00 %	100.00 %	-
The Company	Visual Sensing Technology Corp. (Visual Sensing Technology)	IC design	89.16 %	89.16 %	Note 1
The Company	Jadeite Investment Inc. (Jadeite Investment)	Investment company	100.00 %	100.00 %	Note 2
Trade Logic Limited	Ever Harvest Limited (Ever Harvest)	Investment company	100.00 %	100.00 %	-
Ever Harvest Limited	JADARD TECHNOLOGY INC. (Shenzhen Jadard)	IC design	54.57 %	55.04 %	Note 3
JADARD TECHNOLOGY INC.	Hefei Jadard Technology Co., Ltd. (Hefei Jadard)	Supply Chain Management	100.00 %	100.00 %	-
JADARD TECHNOLOGY INC.	Jadard Technology Limited (Jadard Technology)	General Trading	100.00 %	100.00 %	-
JADARD TECHNOLOGY INC.	Xiamen Jadard Technology Co., Ltd. (Xiamen Jadard)	Supply Chain Management	- %	100.00 %	Note 4

Note 1: In October 2022, Visual Sensing Technology Corp. conducts a cash capital increase. After the capital increase, the Company's shareholding ratio increased to 89.16%. In October 2023, Visual Sensing Technology Corp. was dissolved, but has not yet been liquidated.

Note 2: The Company invested and established Jadeite Investment Inc. on May 24, 2022. Jadeite Investment Inc. has been included in the preparation of the consolidated financial statements since then. On February 27, 2024, the Company passed the resolution of the Board of Directors to increase the cash capital of Jadeite Investment Inc., with the expected capital increase amounting to \$500,000 thousand.

Note 3: JADARD TECHNOLOGY INC. conducted an employee share option exercise to increase capital by 3,465,741 shares on January 19, 2023. After the capital increase, the Company's shareholding ratio fell from 55.04% to 54.57%.

Note 4: In December 2023, Xiamen Jadard Technology Co., Ltd. was dissolved and liquidated.

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Exchange differences are generally recognized in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI )

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, trade receivables, other receivable, guarantee deposit paid and other financial assets).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forwardlooking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 360 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a debt instrument in its entirety, the Group recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on fair value through other comprehensive income", in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss, which comprise short-term loans and borrowings, accounts payable and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized as finance cost under nonoperating revenue and expenses. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any noncash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset, and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

(Continued)



**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

A leased asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Machinery and equipment: 2~10 years
- 2) Office equipment: 1~6 years
- 3) Leasehold improvements: 5 years

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(j) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. As a lease.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(k) Intangible assets

(i) Goodwill

Goodwill is recognized when the purchase price exceeds the fair value of the identifiable assets under the acquisition method. Goodwill acquired through consolidation is not amortized. Impairment testing is performed on a regular basis and is measured at initial cost, less, any accumulated impairment loss.

(ii) Research and development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred. Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
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- 1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- 2) Its intention to complete the intangible asset and use or sell it.
- 3) Its ability to use or sell the intangible asset.
- 4) How the intangible asset will generate probable future economic benefits.
- 5) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- 6) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

(iii) Other intangible assets

The other intangible assets acquired by the Group are recognized at cost less accumulated amortization and any accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(v) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

- 1) Computer software: 1~10 years
- 2) Patent and Technical Knowhow: 1~3 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

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For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ( CGUs ) . Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(n) Revenue from contracts with customers

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Sale of goods—electronic components

The Group manufactures and sells electronic components to computer manufacturers. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
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A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Services

The Group provides Integrated Circuits product design and development services to its customers and recognizes revenue during the reporting period when services are rendered.

(o) Government grants

The Group recognizes an unconditional government grant related to in profit or loss as other income when the grant becomes received. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

The Group that belongs to domestic firms should comply with the Labor Pension Act (hereinafter as “the Act”), which took effect on July 1, 2005. In accordance with the Act, the pension benefits of employees who elect to follow the Act and employees who are retired after the effective date of the Act adopt a defined contribution scheme, whereby the Group makes monthly contributions to the employees’ individual pension accounts of no less than 6% of the employees’ monthly wages. The amounts contributed are recognized as expense in the current period.

The Group that belongs to overseas firms should contribute pension fund based on the local pension regulations and recognized the pension contributed as expense for that period. Subsidiaries in China should comply with the regulations of the Government in the People’s Republic of China. The corporate contributes retirement annuity funds based on the statutory rate on authorized employees’ payroll and the pension expenses are recognized in profit or loss for the year.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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(q) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or

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**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
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- 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(s) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as share-based payment awards and employee share bonus.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The Group is likely to be facing economic uncertainty, such as inflation and technological changes. Those events may have a significant impact on the following accounting estimates, which depend on the future forecasts.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(e) for further description of the valuation of inventories.

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**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
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(b) Impairment of goodwill

The assessment of impairment of goodwill requires the Group to make subjective judgments to identify CGUs, allocate the goodwill to relevant CGUs, and estimate the recoverable amount of relevant CGUs. Refer to note 6(k) for further description of the impairment of goodwill.

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Petty cash	\$ 1,710	1,815
Checking and demand deposits	1,537,455	4,487,999
Time deposits	6,195,778	2,269,333
Less: Restricted deposits (recorded as financial assets measured at amortized cost) (Note 8)	(200)	(200)
Time deposits with original maturities of over three months (recorded as financial assets measured at amortized cost)	(5,800,880)	-
	<b><u>\$ 1,933,863</u></b>	<b><u>6,758,947</u></b>

(i) The interest rate range of the time deposit of the Group is as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Interest rate range	<b><u>1.10% ~ 5.30%</u></b>	<b><u>0.85% ~ 4.80%</u></b>

(ii) The Group did not recognize impairment loss on financial assets at amortized cost for the years ended December 31, 2023 and 2022. Please refer to note 6(w) for the information on credit risk of the Group.

(b) Financial assets and liabilities at fair value through profit or loss

(i) Mandatorily measured at fair value through profit or loss

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Financial assets mandatorily measured at fair value through profit or loss:		
Current:		
Domestic open-ended funds	\$ 10,571,518	9,641,905
Currency swaps	1,993	540
Forward exchange contracts	9,803	27
	<b><u>\$ 10,583,314</u></b>	<b><u>9,642,472</u></b>

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**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
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	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial liabilities mandatorily measured at fair value through profit or loss:		
Current:		
Currency swaps	\$ -	1,176
Forward exchange contracts	<u>-</u>	<u>130</u>
Total	<u>\$ -</u>	<u>1,306</u>

(ii) Details of derivative financial assets and liabilities were as follows:

1) Currency swaps

	<u>Contract Amount (in thousands)</u>	<u>Currency</u>	<u>Due date</u>	<u>FX Spot Rate</u>	<u>FX Forward Rate</u>
December 31, 2023	\$ 9,000	USD	2024.1	30.866~30.927	30.800~30.842
December 31, 2022	\$ 33,000	USD	2023.1	30.650~30.707	30.600~30.625

2) Forward exchange contracts

	<u>December 31, 2023</u>				<u>December 31, 2022</u>			
	<u>Contract Amount</u>	<u>Currency</u>	<u>Due date</u>	<u>FX Forward Rate</u>	<u>Contract Amount</u>	<u>Currency</u>	<u>Due date</u>	<u>FX Forward Rate</u>
Forward exchange sold	22,500	USD	2024.1~2024.3	30.500~31.427	6,000	USD	2024.1	30.670~30.687

For the years ended December 31, 2023 and 2022, the net loss on valuation of financial assets (liabilities) through profit or loss arising from the above transactions amounted to \$5,217 thousand and \$141,668 thousand, respectively, please refer to Note 6(v).

(iii) For market and liquidity risk information, please refer to Note 6(w).

(iv) The Group's financial assets at fair value through profit or loss were not pledged as collateral for its loans.

(c) Financial assets at fair value through other comprehensive income

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Equity investments at fair value through other comprehensive income:		
Shares in domestic listed entities	<u>\$ 14,330</u>	<u>-</u>

(i) The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for the long term strategic purposes.

(ii) There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2023.

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(iii) For market risk information, please refer to Note 6(w).

(iv) The Group's financial assets at fair value through other comprehensive income were not pledged as collateral for its loans.

(d) Accounts receivable (including the part from related parties), net

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Accounts receivable (including the part from related parties)	\$ 2,303,013	2,665,683
Less: Loss allowance	(6,042)	(6,350)
	<b><u>\$ 2,296,971</u></b>	<b><u>2,659,333</u></b>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable (including related parties) have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provisions were determined as follows:

	<b>December 31, 2023</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 2,112,528	0.18%	3,765
1 to 30 days past due	188,154	0.08%	142
31 to 60 days past due	128	1.56%	2
61 to 90 days past due	74	10.81%	8
91 to 120 days past due	5	20.00%	1
More than 120 days past due	2,124	50%~100%	2,124
	<b><u>\$ 2,303,013</u></b>		<b><u>6,042</u></b>

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 2,588,854	0.18%	4,585
1 to 30 days past due	67,056	0.50%	335
31 to 60 days past due	6,873	1.22%	84
61 to 90 days past due	1,695	9.09%	154
91 to 120 days past due	15	13.33%	2
More than 120 days past due	1,190	50%~100%	1,190
	<b><u>\$ 2,665,683</u></b>		<b><u>6,350</u></b>

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**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
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The movement in the allowance for accounts receivable (including the part from related parties) was as follows:

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 6,350	13,039
Impairment losses reversed	<u>(308)</u>	<u>(6,689)</u>
Balance at December 31	<u><u>\$ 6,042</u></u>	<u><u>6,350</u></u>

The Group's accounts receivable has not been pledged as collateral for its loans.

(e) Inventories

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Finished goods	\$ 741,046	775,849
Work in progress	811,909	1,031,913
Raw materials	<u>392,832</u>	<u>699,085</u>
	<u><u>\$ 1,945,787</u></u>	<u><u>2,506,847</u></u>

(i) The details of the cost of sales were as follows:

	<u>2023</u>	<u>2022</u>
Inventory that has been sold	\$ 10,909,763	12,269,166
Write-down of inventories and obsolescence	<u>94,281</u>	<u>266,234</u>
	<u><u>\$ 11,004,044</u></u>	<u><u>12,535,400</u></u>

(ii) As of December 31, 2023 and 2022, the Group did not provide any inventories as collateral for its loans.

(f) Prepayments and other current assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepayment for purchases	\$ 31,409	29,793
Prepaid expenses	23,022	47,825
Overpaid sales tax and prepaid income tax	111,258	87,534
Payment on behalf of others	<u>150</u>	<u>354</u>
	<u><u>\$ 165,839</u></u>	<u><u>165,506</u></u>

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**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
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(g) Changes in a parent's ownership interest in a subsidiary

(i) The initial public offering and listing of the subsidiary without losing control.

The Group's significant subsidiary, JADARD TECHNOLOGY INC., completed its initial public offering and listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange on September 27, 2022. The issuance price was CNY 21.68 per share, with the stock abbreviation "JADARD" and stock code 688252. After the initial public offering of 40,555,560 new shares, the total share capital was 405,555,600 shares. The Group's ownership of the subsidiary dropped from 61.15% to 55.04%. This change did not result in a loss of control and should be treated as an equity transaction with an increase in capital surplus of \$1,636,704 thousand, which did not affect profit and loss. From the date of listing and trading of JADARD TECHNOLOGY INC.'s shares to March 2026, the Company undertook not to transfer the shares of JADARD TECHNOLOGY INC. held by the company. As of December 31, 2023 and 2022, the fair value of JADARD TECHNOLOGY INC. with publicly quoted prices attributable to the Group was \$19,278,488 thousand and \$16,499,563 thousand, respectively.

(ii) On January 19, 2023, JADARD TECHNOLOGY INC. carried out a capital increase of 3,465,741 shares in the amount of CNY 3,466 thousand through the exercise of stock options by employees. After the capital increase, the Group's ownership of the subsidiary decreased from 55.04% to 54.57%. This change did not result in a loss of control and should be treated as an equity transaction with an increase in capital surplus of \$4,479 thousand, which did not affect profit or loss.

(iii) In October 2022, Visual Sensing Technology Corp. carried out a capital increase in cash, after which the Group's ownership of the subsidiary increased from 83.35% to 89.16%, and this change was treated as an equity transaction, which decreased the capital surplus by \$7,973 thousand. In October 2023, Visual Sensing Technology Corp. was dissolved, but not yet liquidated.

(h) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

Subsidiaries	Main operation place	Percentage of non-controlling interests	
		December 31, 2023	December 31, 2022
JADARD TECHNOLOGY INC.	Mainland China	45.43 %	44.96 %
Visual Sensing Technology Corp.	Taiwan	10.84 %	10.84 %

The above subsidiary, JADARD TECHNOLOGY INC., which is significant to the Group, has the following summarized financial information, except for the capital increase through the initial public offering during September 2022 as described in Note 6(g), which was prepared in accordance with IFRSs as endorsed by the FSC, with adjustments for differences in accounting policies. And such financial information is the amount before elimination of the intercompany transactions:

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JADARD TECHNOLOGY INC.'s collective financial information:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current assets	\$ 3,337,786	7,180,381
Non-current assets	6,369,434	1,923,625
Current liabilities	(954,061)	(919,991)
Non- current liabilities	(313,102)	(166,086)
Net assets	<u><u>\$ 8,440,057</u></u>	<u><u>8,017,929</u></u>
Non-controlling interests	<u><u>\$ 3,873,565</u></u>	<u><u>3,737,767</u></u>
	<b>2023</b>	<b>2022</b>
Sales revenue	<u><u>\$ 5,309,806</u></u>	<u><u>5,274,523</u></u>
Net income	\$ 493,517	526,610
Other comprehensive income	6,665	26,954
Comprehensive income	<u><u>\$ 500,182</u></u>	<u><u>553,564</u></u>
Profit, attributable to non-controlling interests	<u><u>\$ 224,094</u></u>	<u><u>212,963</u></u>
Comprehensive income, attributable to non-controlling interests	<u><u>\$ 227,120</u></u>	<u><u>248,904</u></u>
	<b>2023</b>	<b>2022</b>
Net cash flows from operating activities	\$ 203,684	881,439
Net cash flows from investing activities	(4,767,966)	(1,054,928)
Net cash flows from financing activities	(22,303)	3,809,507
Net increase (loss) in cash and cash equivalents	<u><u>\$ (4,586,585)</u></u>	<u><u>3,636,018</u></u>

(i) **Property, plant and equipment**

The cost, depreciation, and impairment of the property, plant and equipment of the Group, were as follows:

	<b>Machinery and equipment</b>	<b>Office equipment</b>	<b>Leasehold improvements</b>	<b>Equipment awaiting examination</b>	<b>Total</b>
<b>Cost:</b>					
Balance at 1 January, 2023	\$ 1,734,756	105,734	8,818	97	1,849,405
Additions	374,532	4,256	-	-	378,788
Disposal	(12,621)	(717)	-	-	(13,338)
Transfer from (to)	(10,872)	97	6,068	(97)	(4,804)
Effect of movements in exchange rates	(15,863)	(502)	(78)	-	(16,443)
Balance at December 31, 2023	<u><u>\$ 2,069,932</u></u>	<u><u>108,868</u></u>	<u><u>14,808</u></u>	<u><u>-</u></u>	<u><u>2,193,608</u></u>

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**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
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	<b>Machinery and equipment</b>	<b>Office equipment</b>	<b>Leasehold improvements</b>	<b>Equipment awaiting examination</b>	<b>Total</b>
Balance at 1 January, 2022	\$ 1,079,389	84,576	7,677	3,319	1,174,961
Additions	645,902	21,319	1,141	97	668,459
Disposal	(3,690)	(760)	-	-	(4,450)
Transfer from (to)	3,179	140	-	(3,319)	-
Effect of movements in exchange rates	9,976	459	-	-	10,435
Balance at December 31, 2022	<u>\$ 1,734,756</u>	<u>105,734</u>	<u>8,818</u>	<u>97</u>	<u>1,849,405</u>
<b>Depreciation and impairments loss:</b>					
Balance at 1 January, 2023	\$ 721,423	67,763	5,243	-	794,429
Depreciation	361,134	20,010	2,905	-	384,049
Impairment loss	6,983	-	-	-	6,983
Transfer from (to)	(3,730)	-	3,182	-	(548)
Disposal	(11,256)	(714)	-	-	(11,970)
Effect of movements in exchange rates	(7,535)	(333)	(65)	-	(7,933)
Balance at December 31, 2023	<u>\$ 1,067,019</u>	<u>86,726</u>	<u>11,265</u>	<u>-</u>	<u>1,165,010</u>
Balance at 1 January, 2022	\$ 458,360	48,009	3,792	-	510,161
Depreciation	261,835	20,280	1,451	-	283,566
Disposal	(2,877)	(760)	-	-	(3,637)
Effect of movements in exchange rates	4,105	234	-	-	4,339
Balance at December 31, 2022	<u>\$ 721,423</u>	<u>67,763</u>	<u>5,243</u>	<u>-</u>	<u>794,429</u>
<b>Carrying amount:</b>					
Balance at December 31, 2023	<u>\$ 1,002,913</u>	<u>22,142</u>	<u>3,543</u>	<u>-</u>	<u>1,028,598</u>
Balance at December 31, 2022	<u>\$ 1,013,333</u>	<u>37,971</u>	<u>3,575</u>	<u>97</u>	<u>1,054,976</u>
Balance at January 1, 2022	<u>\$ 621,029</u>	<u>36,567</u>	<u>3,885</u>	<u>3,319</u>	<u>664,800</u>

(i) Pledged assets

As of December 31, 2023 and 2022, the Group did not provide any Property, plant and equipment as collateral for its loans.

(ii) Impairment loss

As of September 30, 2023, a subsidiary of the Group, Visual Sensing Technology, conducted an impairment test on certain instruments and equipment, and the estimated recoverable amount was \$0 thousand, which was lower than the carrying amount of \$6,983 thousand. Therefore, an impairment loss of \$6,983 thousand was recognized in 2023, and will be recorded under "Other gains and losses" in the consolidated statements of comprehensive income.

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(j) Right-of-use assets

The Group leases many assets including buildings equipment. Information about leases for which the Group as a lessee was presented below:

	<u><b>Buildings</b></u>
<b>Cost:</b>	
Balance at 1 January, 2023	\$ 112,919
Additions	85,029
Disposal	(87,300)
Effect of movements in exchange rates	(445)
Balance at December 31, 2023	<u><u><b>\$ 110,203</b></u></u>
Balance at 1 January, 2022	\$ 154,378
Additions	33,669
Disposal	(76,074)
Effect of movements in exchange rates	946
Balance at December 31, 2022	<u><u><b>\$ 112,919</b></u></u>
<b>Accumulated depreciation and impairment losses:</b>	
Balance at 1 January, 2023	\$ 72,084
Depreciation	45,272
Disposal	(83,502)
Effect of movements in exchange rates	(163)
Balance at December 31, 2023	<u><u><b>\$ 33,691</b></u></u>
Balance at 1 January, 2022	\$ 72,835
Depreciation	47,514
Disposal	(48,467)
Effect of movements in exchange rates	202
Balance at December 31, 2022	<u><u><b>\$ 72,084</b></u></u>
<b>Carrying amount:</b>	
Balance at December 31, 2023	<u><u><b>\$ 76,512</b></u></u>
Balance at December 31, 2022	<u><u><b>\$ 40,835</b></u></u>
Balance at January 1, 2022	<u><u><b>\$ 81,543</b></u></u>

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**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(k) Intangible assets

(i) The movements of cost and accumulated amortization of intangible assets were as follows:

	<u>Goodwill</u>	<u>Computer software</u>	<u>Patent and Technical Know-how</u>	<u>Total</u>
<b>Cost:</b>				
Balance at 1 January, 2023	\$ 185,097	97,690	95,031	377,818
Additions	-	64,646	22,058	86,704
Reclassifications	-	-	10,872	10,872
Effect of movements in exchange rates	-	(349)	(548)	(897)
Balance at December 31, 2023	<u>\$ 185,097</u>	<u>161,987</u>	<u>127,413</u>	<u>474,497</u>
Balance at 1 January, 2022	\$ 185,097	38,587	81,881	305,565
Additions	-	68,276	11,755	80,031
Derecognized	-	(9,656)	(22)	(9,678)
Effect of movements in exchange rates	-	483	1,417	1,900
Balance at December 31, 2022	<u>\$ 185,097</u>	<u>97,690</u>	<u>95,031</u>	<u>377,818</u>
<b>Accumulated amortization and impairment losses:</b>				
Balance at 1 January, 2023	\$ 183,365	46,495	64,075	293,935
Amortization for the year	-	81,711	24,244	105,955
Derecognized	-	-	3,730	3,730
Impairment loss	125	-	8,419	8,544
Effect of movements in exchange rates	-	(275)	(395)	(670)
Balance at December 31, 2023	<u>\$ 183,490</u>	<u>127,931</u>	<u>100,073</u>	<u>411,494</u>
Balance at 1 January, 2022	\$ -	22,061	36,403	58,464
Amortization for the year	-	33,827	27,138	60,965
Derecognized	-	(9,656)	(22)	(9,678)
Impairment loss	183,365	-	-	183,365
Effect of movements in exchange rates	-	263	556	819
Balance at December 31, 2022	<u>\$ 183,365</u>	<u>46,495</u>	<u>64,075</u>	<u>293,935</u>
<b>Carrying amount:</b>				
Balance at December 31, 2023	<u>\$ 1,607</u>	<u>34,056</u>	<u>27,340</u>	<u>63,003</u>
Balance at December 31, 2022	<u>\$ 1,732</u>	<u>51,195</u>	<u>30,956</u>	<u>83,883</u>
Balance at January 1, 2022	<u>\$ 185,097</u>	<u>16,526</u>	<u>45,478</u>	<u>247,101</u>

For 2023 and 2022, the amortization of intangible assets of the Group amounted to \$105,955 thousand and \$60,965 thousand, respectively, which was recorded under operating expenses in the consolidated statements of comprehensive income.

(ii) Impairment loss

- 1) Since the Group's subsidiary, Visual Sensing Technology Corp, was dissolved but not yet liquidated in October 2023, an impairment loss of \$8,544 thousand was recognized in 2023 for goodwill and patents obtained from the acquisition, as the estimated recoverable amount was less than the carrying amount. Therefore, the impairment loss was recorded under "Other gains and losses" in the consolidated statement of comprehensive income.

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# FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

- 2) Due to rapid market changes, the revenue in 2022 was not as expected, thus the Group commissioned an expert to issue an appraisal report. Based on the appraisal report, the Group recognized an impairment loss of goodwill of \$183,365 thousand, which reduced the carrying amount of amortized goodwill of the former Hongxin Semiconductor's cash-generating unit, and the impairment loss was recorded under "Other gains and losses" in the consolidated statements of comprehensive income.

(iii) Impairment testing for goodwill

For the Group's impairment testing purposes, goodwill has been allocated to cash-generating units of the original Hongxin Semiconductor products and other departments. The total carrying amounts of goodwill are as follow:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Original Hongxin Semiconductor's products cash-generating unit	\$ 1,607	1,607
Other department cash-generating units	-	125
	<b>\$ 1,607</b>	<b>1,732</b>

The cash-generating unit of the original Hongxin Semiconductor's products is based on the revenue growth rate of 5% and 2% for 2023 and 2022, respectively, estimating the future cash flows generated from the sale of these products. As of December 31, 2023 and 2022, annual discount rates of 10.06% and 14.77%, respectively, were used for the calculation.

(l) Other non current assets

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Prepaid bonus	\$ 170,536	136,970
Guarantee deposits paid	474,457	2,233,260
Others	4,521	24,622
	<b>\$ 649,514</b>	<b>2,394,852</b>

- (i) The Group provides special incentive bonuses to employees who meet certain criteria, and the payments are paid in a lump sum upon the signing of the contract. The contracted employee must commit to a period of continuous service, and if the employee fails to meet the commitment, the full amount of the special incentive shall be returned for any reason. The Group amortized the total prepaid bonuses as manufacturing and operating expenses over the contractual service period, and recognized manufacturing and operating expenses of \$188,278 thousand and \$186,698 thousand for the years ended December 31, 2023 and 2022, respectively.
- (ii) To ensure stable outsourced production capacity, the Group has signed capacity guarantee contracts with suppliers. According to the agreement, they pay a deposit, which will be returned upon the fulfillment of the contract terms. This deposit is recorded under other non-current assets - refundable deposits. Additionally, considering market demand fluctuations and future capacity utilization, the Group estimated related compensation losses and provision for liabilities based on capacity guarantee contracts. The amount of \$43,855 thousand and \$73,144

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**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

thousand were recorded under cost of goods sold and other payables for the years ended December 31, 2023 and 2022, respectively. In 2023, the Group has recovered deposits of \$1,709,363 thousand according to the agreement. JADARD TECHNOLOGY INC., a subsidiary of the Group, terminated part of the agreements on April 18, 2023, and the original deposit of \$894,510 thousand (CNY 208,900 thousand) was reclassified as prepayment and has been fully offset against accounts payable.

(m) Short-term borrowings

The short-term borrowings were summarized as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Non-bank loans	\$ <u>-</u>	<u>220,734</u>
Range of interest rates	<u>-</u>	<u>4.96%</u>
Unused short-term credit lines	\$ <u>11,910,445</u>	<u>14,149,836</u>

As of December 31, 2022, the subsidiary, JADARD TECHNOLOGY INC. provided patents as collateral for its loans. As of December 31, 2023, the Group did not provide any assets as collateral for its loans.

(n) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current	\$ <u>29,771</u>	<u>32,536</u>
Non-current financial assets	\$ <u>46,829</u>	<u>8,633</u>

For the maturity analysis, please refer to note 6(w).

The amounts recognized in profit or loss was as follows:

	<b>2023</b>	<b>2022</b>
Interest on lease liabilities	\$ <u>1,506</u>	<u>1,476</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>4,756</u>	<u>3,736</u>

The amounts recognized in the statement of cash flows by the Group were as follows:

	<b>2023</b>	<b>2022</b>
Total cash outflow for leases	\$ <u>53,579</u>	<u>54,714</u>

The Group leases buildings for its office space. The leases of buildings for 1 to 5 years. Some leases provide for additional rent payments that are based on changes in local price indices.

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**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(o) Employee benefits

Defined contribution plans

If the Group is a domestic company, the Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation. The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$47,010 thousand and \$47,359 thousand for the years ended December 31, 2023 and 2022, respectively.

If the Group is a foreign company, it contributes to the pension funds in accordance with local laws and regulations, and recognizes the required contributions in each period as current expenses. The Group's subsidiaries in Mainland China, which are included in the consolidated entity, are required by the Chinese government to contribute to the basic pension insurance premiums based on the statutory percentage of the approved salaries of employees and recognize the premiums as current expenses. The pension costs and pension insurance premiums amounting to \$19,834 thousand and \$23,598 thousand were contributed for the years ended December 31, 2023 and 2022, respectively.

(p) Income taxes

- (i) The Group is subject to Taiwan income tax at rates of 20% for 2023 and 2022, and also adopted the "Income Basic Tax Act" to calculate the tax. Trade Logic and Ever Harvest are established in the British Virgin Islands and Samoa, respectively. According to the laws of their respective registered countries, they do not levy profit-seeking enterprise income tax on international business companies established within their borders that have no local income. The statutory income tax rate for JADARD TECHNOLOGY INC. and Hefei Jadard Technology Co., Ltd. is 25%. JADARD TECHNOLOGY INC. enjoys a preferential tax rate of 15% for high-tech enterprises in China ; Jadard Technology Limited has an income tax rate of 16.5%.

(ii) Income tax expense

The Group's income tax expenses are detailed as follows:

	<u>2023</u>	<u>2022</u>
Current tax expense	\$ 444,268	638,883
Deferred tax (benefit) expense	<u>(9,706)</u>	<u>48,339</u>
Income tax expense	<u><u>\$ 434,562</u></u>	<u><u>687,222</u></u>

The amount of income tax recognized in other comprehensive income for 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation	<u><u>\$ 2,471</u></u>	<u><u>3,864</u></u>

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**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Reconciliation of income tax and profit before tax for 2023 and 2022 is as follows:

	<b>2023</b>	<b>2022</b>
Profit excluding income tax	<b>\$ 2,801,761</b>	<b>3,956,407</b>
Income tax using the Company's domestic tax rate	\$ 560,352	791,281
Effect on the income tax based on the subsidiaries' net income before income taxes	13,125	(42,116)
Investment tax credit	(172,949)	(137,552)
Suspension of tax-exempt gain on disposal of domestic securities	(10,473)	(13,624)
Additional tax on undistributed earnings	46,295	82,821
Prior year's income tax adjustment	(48,640)	(56,610)
Investment income from domestic securities	-	(6,273)
Change in unrecognized temporary differences	60,295	60,685
Others	(13,443)	8,610
	<b>\$ 434,562</b>	<b>687,222</b>

(iii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

Deferred tax assets have not been recognized in respect of the following items:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Provision for decline in value of inventories	\$ 5,347	5,336
Taxdeductible loss carryforward	102,006	55,609
Realized valuation losses on long-term investment	42,044	28,350
	<b>\$ 149,397</b>	<b>89,295</b>

Regarding the deductible temporary differences from investment tax credit, the deferred tax assets have not been recognized in respect of these items because it is not probable that the future taxable gain on disposal of securities will be available against which the Group can utilize the benefits therefrom. The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years (or unlimited duration) for local tax reporting purposes. Deferred tax assets were not recognized, as management determined that it is not probable that there will be sufficient taxable gains in the future.

As of December 31, 2023, Visual Sensing Technology Corp. and Jadard Technology Limited, the net losses that have not been recognized as deferred tax assets and the expiration years were as follows:

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**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

a) Visual Sensing Technology Corp., the details are as follows:

<u>Year of loss</u>	<u>Expiry date</u>	<u>Unused tax loss</u>
2018	2028	\$ 110
2019	2029	731
2020	2030	2,668
2021	2031	9,222
2022	2032	18,218
2023	2033	14,560
		<u>\$ 45,509</u>

b) Jadard Technology Limited, the details are as follows:

<u>Unused tax loss</u>
<u>\$ 56,497</u>

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2023 and 2022 were as follows:

	Unrealized losses in inventory	Exchange differences on translation of foreign financial	Investment loss	Unrealized foreign exchange loss	Others	Total
Deferred Tax Assets:						
Balance at January 1, 2023	\$ 34,852	6,778	-	-	9,733	51,363
Recognized in profit or loss	(4,553)	-	-	2,233	17,134	14,814
Recognized in other comprehensive income	-	(2,471)	-	-	-	(2,471)
Balance at December 31, 2023	<u>\$ 30,299</u>	<u>4,307</u>	<u>-</u>	<u>2,233</u>	<u>26,867</u>	<u>63,706</u>
Balance at January 1, 2022	\$ 11,209	10,642	261	-	15,008	37,120
Recognized in profit or loss	23,643	-	(261)	-	(5,275)	18,107
Recognized in other comprehensive income	-	(3,864)	-	-	-	(3,864)
Balance at December 31, 2022	<u>\$ 34,852</u>	<u>6,778</u>	<u>-</u>	<u>-</u>	<u>9,733</u>	<u>51,363</u>
	Unrealized foreign exchange gains	Valuation gains on financial assets	Investment Income		Others	Total
Deferred Tax Liabilities:						
Balance at January 1, 2023	\$ 14,795	-	56,456	-		71,251
Recognized in profit or loss	(14,795)	17,230	-		3,288	5,723
Balance at December 31, 2023	<u>\$ -</u>	<u>17,230</u>	<u>56,456</u>		<u>3,288</u>	<u>76,974</u>
Balance at January 1, 2022	\$ 373	-	-	-		373
Recognized in profit or loss	14,422	-	56,456	-		70,878
Balance at December 31, 2022	<u>\$ 14,795</u>	<u>-</u>	<u>56,456</u>	<u>-</u>		<u>71,251</u>

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**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (iv) The income tax returns of the Company and Visual Sensing Technology Corp. for the years through 2021 and 2022, respectively, were approved by the tax authorities.
- (v) All overseas subsidiaries have filed tax returns with their local tax authorities up to 2022.
- (q) Capital and other equity
  - (i) Ordinary share

As of December 31, 2023 and 2022, the authorized capital of the Company amounted to \$3,000,000 thousand, divided into 121,254 thousand and 186,545 thousand ordinary shares, with par value of \$10 per share.

To adjust its capital structure and enhance the return on equity of shareholders, the Company, through a resolution at the shareholders' meeting on May 31, 2023, approved a capital reduction to refund share capital in the amount of \$652,908 thousand. This involved the cancellation of 65,291 thousand issued shares (including 129 thousand treasury shares), representing a capital reduction ratio of 35%. This cash capital reduction was approved by the Taiwan Stock Exchange Corporation on July 27, 2023, and the chairman set August 1, 2023, as the record date for the capital reduction. The change has been duly registered, and the date for the distribution of the refunded share capital was September 18, 2023.

Reconciliation of shares (in thousand) outstanding for 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Balance on January 1	186,176	186,176
Capital reduction	<u>(65,162)</u>	<u>-</u>
Balance on December 31	<u><b>121,014</b></u>	<u><b>186,176</b></u>

- (ii) Capital surplus

The balances of capital surplus as of December 31, 2023 and 2022, were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Share capital	\$ 6,102,418	6,102,418
Treasury share transactions	2,508	535
Difference arising from subsidiary's share price and its carrying value	2,516,171	2,511,692
Other	<u>450</u>	<u>450</u>
	<u><b>\$ 8,621,547</b></u>	<u><b>8,615,095</b></u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common share or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital share and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common share outstanding.

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**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Retained earnings

The Company's Article of Incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits. Of the remaining balance, 10% is to be appropriated as legal reserve. However, when the legal reserve amounts to the authorized capital, this shall not apply. The special reserve is appropriated or reversed as required by law or by the competent authority. The Board of Directors shall prepare a proposal for the distribution of the remaining earnings, together with the undistributed earnings at the beginning of the period, and submit it to the shareholders' meeting for resolution on the distribution of dividends to shareholders.

The Company's dividend policy is to allocate no less than 20% of the distributable earnings to shareholders each year, taking into account the current and future development plans, the investment environment, capital requirements, domestic and international competition, as well as the interests of shareholders, among which, no less than 10% of the total dividends for the year shall be paid in cash.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1090150022 issued by the Financial Supervisory Commission on March 31, 2021, a portion of currentperiod earnings and undistributed priorperiod earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the currentperiod total net reduction of other shareholders' equity. Similarly, a portion of undistributed priorperiod earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The annual Shareholders' meeting on May 31, 2023 and June 22, 2022, resolved to distribute earnings as dividends and as employee bonuses and directors' remuneration for 2022 and 2021 as follows:

	2022		2021	
	Amount per share	Total amount (in thousands)	Amount per share	Total amount (in thousands)
Dividends distributed to ordinary shareholders				
Cash	\$ 8.5	<u>1,582,499</u>	17.0	<u>3,164,997</u>

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The dividends for 2022 were distributed on July 26, 2023.

The actual distribution of earnings for the years ended December 31, 2022 and 2021, was the same as the amount recognized in the financial statements, and no adjustment was required.

(iv) Treasury shares

The Company purchased shares as treasury share for the purpose of transferring to employees in accordance with the requirements under section 167(1) of the R.O.C. Company Act. The movements of treasury share were as follow:

	<b>2023</b>		<b>2022</b>	
	<b>Shares</b>		<b>Shares</b>	
	<b>(in thousands)</b>	<b>Total amount</b>	<b>(in thousands)</b>	<b>Total amount</b>
Beginning balance	369	\$ 9,449	369	9,449
Capital reduction	(129)	(1,291)	-	-
Ending balance	<b>240</b>	<b>\$ 8,158</b>	<b>369</b>	<b>9,449</b>

In 2020, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 369 thousand shares as treasury share for the purpose of transferring to employees in accordance with the requirements. As of December 31, 2023 and 2022, a total of 240 thousand shares and 369 thousand shares were not yet cancelled, respectively.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and should not hold any shareholder rights before their transfer.

(v) Other comprehensive income accumulated in reserves, net of tax

The movements of other equity were as follows:

	<b>Exchange differences</b>	<b>Unrealized losses</b>	
	<b>on translation of</b>	<b>from financial assets</b>	
	<b>foreign financial</b>	<b>measured at fair value</b>	
	<b>statements</b>	<b>through other</b>	<b>Total</b>
		<b>comprehensive income</b>	
Balance at January 1, 2023	\$ (28,704)	-	(28,704)
Exchange differences on foreign operation	9,713	-	9,713
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(7,932)	(7,932)
Balance at December 31, 2023	<b>\$ (18,991)</b>	<b>(7,932)</b>	<b>(26,923)</b>
Balance at January 1, 2022	\$ (43,782)	-	(43,782)
Exchange differences on foreign operation	15,078	-	15,078
Balance at December 31, 2022	<b>\$ (28,704)</b>	<b>-</b>	<b>(28,704)</b>

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**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
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(vi) Non-controlling Interests

	<u>2023</u>	<u>2022</u>
Balance at January 1, 2023	\$ 3,748,796	1,538,920
Net profit (loss) attributable to Non controlling interests:		
Profit for the year ended December 31, 2023	216,986	198,879
Exchange differences on translation of foreign financial statements	(161,442)	148,854
Difference arising from subsidiary's share price and its carrying value	(4,479)	(1,636,704)
Capital increase of non controlling interests	<u>77,564</u>	<u>3,498,847</u>
Balance at December 31, 2023	<u><u>\$ 3,877,425</u></u>	<u><u>3,748,796</u></u>

(r) Share based payment

(i) JADARD TECHNOLOGY INC. — employee share option plan

Details on the number and weighted average exercise price related to the employee stock option plan issued by the subsidiary JADARD TECHNOLOGY INC. in 2021 are as follows:

	<u>2021 employee share options</u>			
	<u>2023</u>		<u>2022</u>	
	Weighted average exercise price(CNY/\$)	Number of options (in thousands)	Weighted average exercise price(CNY/\$)	Number of options (in thousands)
Outstanding at January 1	\$ 5.00	10,519	5.00	10,519
Granted during the year	-	-	-	-
Forfeited during the year	-	(7,053)	-	-
Exercised during the year	-	<u>(3,466)</u>	-	<u>-</u>
Outstanding at December 31	-	<u><u>-</u></u>	-	<u><u>10,519</u></u>
Exercisable at December 31		<u><u>-</u></u>		<u><u>5,260</u></u>

In addition, the subscribers may exercise their share options in the following proportions from the time they are granted the employee stock option certificates:

<u>2021 employee share options</u>	
<u>Grant Period</u>	<u>Exercisable percentage</u>
2022.6.7	50 %
2023.6.7	100 %

(ii) JADARD TECHNOLOGY INC. — Restricted Share Award Plan

A subsidiary, JADARD TECHNOLOGY INC., resolved through a shareholders' meeting on September 11, 2023, to issue the "Type II Restricted Share Award Plan." The total issued shares were 4,500 thousand shares (including 3,603 thousand shares of restricted share granted and 897 thousand shares of restricted stock reserved). The grantees of this plan will receive the common share on SSE A Share Index of JADARD TECHNOLOGY INC. issued as capital increase in installments at a grant exercise price of CNY 11.04 per share, after meeting the

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respective performance and vesting conditions. The grantees are entitled to acquire the common share on SSE A Share Index issued by JADARD TECHNOLOGY INC. on the following schedule after one year from the grant date:

<u>Grant Period</u>	<u>Available percentage (cumulative)</u>
Period of one year	25 %
Period of two year	50 %
Period of three year	75 %
Period of four year	100 %

JADARD TECHNOLOGY INC. adopted the Black Scholes model to measure the fair value of the share based payment at the grant date. The measurement inputs were as follows:

	<u>Restricted Stock</u>
Fair value at grant date (CNY/\$)	\$9.02-10.04
Exercise price (CNY/\$)	11.04
Expected volatility	13.34%-16.40%
Risk-free interest rate	1.5%-2.75%
Expected life	1-4year

Details on the number and weighted average exercise price related to JADARD TECHNOLOGY INC.'s restricted stock plan issued in 2023 are as follows:

	<u>2023</u>	
	<u>Weighted average exercise price (CNY/\$)</u>	<u>Number of options(in thousands)</u>
Outstanding at January 1	\$ -	-
Granted during the year	11.04	3,603
Exercised during the year	-	-
Outstanding at December 31		<u><b>3,603</b></u>
Exercisable at December 31		<u><b>3,603</b></u>

(iii) The company- Treasury shares transferred to employees plan

On March 26, 2020, the Board of Directors resolved to repurchased 369 thousand shares as treasury shares to be transferred to employees.

In addition, the Board of Directors resolved on December 26, 2023, to implement the first treasury shares to employees plan. The treasury shares will be transferred to employees in installments, with the number of shares transferred totaling 50 thousand shares. This plan adopts the Black-Scholes option pricing model, and the factors considered when estimating the fair value of the share-based compensation at the grant date are summarized as follows:

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<u>Black-Scholes model</u>	<u>2023 treasury share transferred to employees</u>
Exercise price	\$ 34.02
Fair value at grant date	227~208.4
Expected life (days)	18~385
Volatility (%)	5.921%~64.696%
Risk-free interest rate	1.0795%

Details on the treasury share transfer plan for 2023 are as follows :

	<u>2023</u>	
	<u>Weighted average exercise price (CNY/\$)</u>	<u>Number of options(in thousands)</u>
Outstanding at January 1	\$ -	-
Granted during the year	34.02	50
Exercised during the year	-	-
Outstanding at December 31		<u>50</u>
Exercisable at December 31		<u>50</u>

(iv) Expense recognized in profit or loss

The Group incurred expenses and liabilities of share-based arrangements in 2023 and 2022 as follows:

	<u>2023</u>	<u>2022</u>
Expenses resulting from treasury shares transferred to employees	\$ 1,973	-
Expenses resulting from restriction of employee share options	20,664	-
Expenses resulting from granted employee share options	<u>20,530</u>	<u>15,930</u>
	<u>\$ 43,167</u>	<u>15,930</u>

(s) Earnings per share

The Group's earnings per share for the years ended December 31, 2023 and 2022 were calculated as follows:

(i) Basic earnings per share

	<u>2023</u>	<u>2022</u>
Profit attributable to ordinary shareholders of the Company	\$ <u>2,150,213</u>	<u>3,070,306</u>
Weighted average number of ordinary shares	<u>161,741</u>	<u>186,176</u>
Earnings per share	<u>\$ 13.29</u>	<u>16.49</u>

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(ii) Diluted earnings per share

	<u>2023</u>	<u>2022</u>
Profit/(loss) attributable to ordinary shareholders of the Company	<u>\$ 2,150,213</u>	<u>3,070,306</u>
Weighted average number of ordinary shares	161,741	186,176
Effect of dilutive potential ordinary shares:		
— employee share bonus and treasury shares transferred to employees	<u>728</u>	<u>2,117</u>
Weighted average number of ordinary shares (diluted) at December 31	<u>162,469</u>	<u>188,293</u>
Diluted earnings per share	<u>\$ 13.23</u>	<u>16.31</u>

(t) Revenue from contracts with customers

(i) Details of revenue

The details of revenue were as follows:

	<u>2023</u>	<u>2022</u>
Sale of goods	16,214,122	19,642,429
Service revenue	<u>72,398</u>	<u>37,996</u>
	<u>\$ 16,286,520</u>	<u>19,680,425</u>

(ii) Disaggregation of revenue

	<u>2023</u>	<u>2022</u>
Primary geographical markets:		
Taiwan	\$ 1,608,856	2,710,034
Mainland China	10,364,007	12,723,352
Hong Kong	4,230,928	4,191,875
Japan	4,368	15,157
South Korea	1,878	2,743
Other	<u>76,483</u>	<u>37,264</u>
	<u>\$ 16,286,520</u>	<u>19,680,425</u>
Major products:		
Display driver IC	\$ 11,960,384	14,423,948
Power management IC	2,367,289	2,841,347
Service revenue	72,398	37,996
Other	<u>1,886,449</u>	<u>2,377,134</u>
	<u>\$ 16,286,520</u>	<u>19,680,425</u>

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(iii) Contract balances

For details on accounts receivable and allowance for impairment, please refer to note 6(d).

The initial balance of contract liabilities on January 1, 2023 and 2022, was recognized as income for the years ended December 31, 2023 and 2022, amounting to \$127,801 thousand and \$37,791 thousand, respectively. The change in contract liabilities mainly resulted from the difference in the timing between when the Group delivered goods to customers to satisfy the performance obligations and when the customers made payments.

(u) Employee compensation and directors' and remuneration

According to the Company's Articles of Incorporation, once the Group has annual profit, it should appropriate no less than 5% of the profit as employee compensation and less than 1% as directors' and supervisors' compensation. However, if the Group has accumulated deficits, the profit should be reserved in advance to offset such deficits. The foregoing employee compensation may be in the form of shares or cash and may be paid to employees of a controlled or subordinate company who satisfy certain conditions. The compensation of the directors mentioned above shall be paid in cash only. The first two items shall be resolved by the Board of Directors and reported to the shareholders' meeting.

For 2023 and 2022, the Company made no provision for directors' remuneration, the Company estimated its employee compensation amounting to \$136,132 thousand and \$201,488 thousand, respectively. The employee compensation was calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employee remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

For the years ended December 31, 2022 and 2021, the Company estimated its employee compensation amounting to \$201,488 thousand and \$369,675 thousand. The compensation and remuneration were all paid in cash. There were no differences between the distribution amounts of compensation and remuneration decided by the Board of Directors and the estimated amounts. Related information would be available at the Market Observation Post System website.

(v) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	\$ 221,513	82,871
Interest income on lease receivable	886	1,495
Other interest income	<u>69</u>	<u>44</u>
Total interest income	<u><u>\$ 222,468</u></u>	<u><u>84,410</u></u>

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(ii) Other income

	<u>2023</u>	<u>2022</u>
Government grants	\$ 66,220	26,591
Dividend income	218	-
Other	39,861	4,839
Total other income	<u>\$ 106,299</u>	<u>31,430</u>

(iii) Other gains and losses

	<u>2023</u>	<u>2022</u>
Losses on disposals of property, plant and equipment	\$ (250)	(813)
Foreign exchange gains	26,249	319,857
Gains (Losses) on financial assets (liabilities) at fair value through profit or loss	120,806	(93,071)
Impairments loss on non-financial assets	(15,527)	(183,365)
Other	(1,770)	(47,532)
	<u>\$ 129,508</u>	<u>(4,924)</u>

(iv) Finance costs

	<u>2023</u>	<u>2022</u>
Interest expense	\$ (2,559)	(23,329)

(w) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

Implicit credit risk of the Group is inherent in its cash and trade receivables. The cash is deposited in different financial institutions. The Company manages the credit risk exposure with each of these financial institutions and believes that cash do not have a significant credit risk concentration. The major customers of the Group are centralized in the high tech computer industry. To minimize credit risk, the Company periodically evaluates the Company's financial positions and the possibility of collecting trade receivables. Besides, the Group monitors and reviews the recoverable amount of the trade receivables to ensure the uncollectible amount are recognized appropriately as impairment loss. As of December 31, 2023 and 2022, 72%, respectively, of trade receivables were five major customers. Thus, credit risk is significantly centralized.

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3) Receivables and debt securities

For credit risk exposure in respect of notes and accounts receivable, please refer to note 6(d). Other financial assets at amortized cost, including time deposits with maturities more than three months and other receivables, are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g).

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities and including estimated interest payments.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2023</b>							
Nonderivative financial liabilities							
Notes and accounts payable	\$ 1,829,927	1,829,927	1,829,927	-	-	-	-
Other payables	814,704	814,704	814,704	-	-	-	-
Lease liabilities	76,600	83,156	18,290	14,174	21,012	29,680	-
Deposits Received	306,305	306,305	306,305	-	-	-	-
Total	<u>\$ 3,027,536</u>	<u>3,034,092</u>	<u>2,969,226</u>	<u>14,174</u>	<u>21,012</u>	<u>29,680</u>	<u>-</u>
<b>December 31, 2022</b>							
Nonderivative financial liabilities							
Short-term borrowing	\$ 220,734	222,465	222,465	-	-	-	-
Notes and accounts payable	1,891,917	1,891,917	1,891,917	-	-	-	-
Other payables	959,295	959,295	959,295	-	-	-	-
Lease liabilities	41,169	39,709	16,218	14,187	9,304	-	-
Deposits Received	166,277	166,277	166,277	-	-	-	-
Subtotal	<u>3,279,392</u>	<u>3,279,663</u>	<u>3,256,172</u>	<u>14,187</u>	<u>9,304</u>	<u>-</u>	<u>-</u>
Nonderivative financial liabilities							
Currency swaps:							
Outflow	1,176	1,011,101	1,011,101	-	-	-	-
Inflow	-	(1,009,925)	(1,009,925)	-	-	-	-
Carrying values	<u>1,176</u>	<u>1,176</u>	<u>1,176</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Forward exchange contracts:							
Inflow	130	130	130	-	-	-	-
Carrying values	<u>130</u>	<u>130</u>	<u>130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>1,306</u>	<u>1,306</u>	<u>1,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,280,698</u>	<u>3,280,969</u>	<u>3,257,478</u>	<u>14,187</u>	<u>9,304</u>	<u>-</u>	<u>-</u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

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(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk were as follows:

	December 31, 2023			December 31, 2022		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<b>Financial assets</b>						
<u>Monetary items</u>						
USD	\$ 110,069	30.665	3,375,253	143,180	30.731	4,400,045
<b>Financial liabilities</b>						
<u>Monetary items</u>						
USD	91,188	30.665	2,796,302	116,954	30.702	3,590,736

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the retranslation of foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and trade and other payables that are denominated in foreign currency. A strengthening (weakening) of 5% of the NTD against the USD as of December 31, 2023 and 2022 would have increased (decreased) the net profit after tax by \$23,158 thousand and \$32,373 thousand for the years ended December 31, 2023 and 2022, respectively, with all other variables remaining constant. The analysis is performed on the same basis in 2023 and 2022.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. The foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$26,249 thousand and \$319,857 thousand for the years ended December 31, 2023 and 2022, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and nonderivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

The Group has fixed-interest-rate assets for both 2023 and 2022, and therefore, no related interest rate exposure exists.

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(v) Other market price risk

For the years ended December 31, 2023 and 2022, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	December 31, 2023		December 31, 2022	
Prices of securities at the reporting date	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increasing 5%	\$ <u>573</u>	<u>422,861</u>	<u>-</u>	<u>385,676</u>
Decreasing 5%	\$ <u>(573)</u>	<u>(422,861)</u>	<u>-</u>	<u>(385,676)</u>

(vi) Fair value of financial instruments

1) Fair value hierarchy

The management of the Group believes the carrying amount of receivables, financial assets measured at amortized cost, and financial liabilities measured at amortized cost are reasonably closed to its fair value in the current period. Also, a disclosure of the fair value information for lease liabilities is not required under regulations. The Group valued its financial assets measured at fair value through profit or loss based on recurring fair value measurement method. The details are as follows:

	December 31, 2023				
	Fair Value				
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	\$ 10,583,314	10,065,300	11,796	-	10,077,096
Financial assets at fair value through other comprehensive income					
Stocks in listed companies	14,330	14,330	-	-	14,330
Total	\$ <u>10,597,644</u>	<u>10,079,630</u>	<u>11,796</u>	<u>-</u>	<u>10,091,426</u>
	December 31, 2022				
	Fair Value				
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	\$ 9,642,472	9,140,473	567	-	9,141,040
Financial liabilities at amortized cost	\$ <u>1,306</u>	<u>1,306</u>	<u>-</u>	<u>-</u>	<u>1,306</u>

Note: The book amount is a reasonable approximation of fair value and there is no need to disclose the fair value.

2) Valuation techniques for financial instruments measured at fair value

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

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Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

If the Group's financial instruments do not have an active market, their fair value classifications are determined to be equity instruments with no observable prices, and their fair values are estimated by comparing with competitors whose market prices are available.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

(x) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. The Group's finance department provides business services to meet other departments' requests and negotiate all necessary transactions on financial markets. In addition, all significant financial activities have to be examined and approved by the Board of Directors. The Group's financial activities must be in accordance with the overall financial risk management, segregation of duties, and other related policies of the Group. The Group's audit committee continues to review the amount of the risk exposure in accordance with the Group's policy and the risk management policies and procedures. The committee reports regularly to the Board of Directors on its activities.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

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1) Trade and other receivables

The finance department has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from the finance department. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Trade and other receivables mainly relate to a wide range of customers from different industries and geographic regions. To minimize the credit risk, the Group continues to assess the financial condition and credit risk of its customers. Allowance for doubtful accounts is recognized if necessary. These major customers have a good track record of profitability and creditworthiness, and the Group has not suffered significant credit risk losses due to these major customers during the reporting period.

The account of allowance for doubtful receivables was created by the Group in order to reflect the estimate of the losses had been incurred on accounts receivable and other receivables. The abovementioned account mainly consists of specific losses, relating to significant risk, which were measured individually and other unidentified losses which were measured by grouping similar assets together. The measurement of losses by grouping similar assets together was based on the statistical data of payment history of similar financial assets.

2) Investments

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Group's finance department. As the Group deals with the banks and other external parties with good credit standing financial institutions, the management believes that the Group do not have any compliance issues, and therefore, there is no significant credit risk.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

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(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales and purchase that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily US Dollars (USD). Natural hedge was adopted to minimize the Group's currency risk. The Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

Interest risk is the risk that changes in market interest rates will affect the fair value of the Group's financial instruments. For detailed information of interest rate risk exposure, please refer to the liquidity risk management of the note.

3) Other market price risk

The Group is exposed to equity price risk due to the investments in non-equity securities. This is a strategic investment and is not held for trading.

(y) Capital management

The Group meets its objectives to manage its capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders and interest of other related parties and to maintain an optimal capital structure to reduce the cost of capital.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence, and to sustain future development of the business. Capital consists of all equity (i.e. ordinary shares, capital surplus, retained earnings and other equity) and net liabilities of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

After being approved by the Board of Directors, the Group purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily, the shares are intended to be used for issuing shares under the Group's share option program. Buyandsell decisions are made on a specific transaction basis by the Board of Directors.

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The Group's debttoequity ratios at the end of the reporting period as of December 31, 2023 and 2022 were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Total liabilities	\$ 3,675,813	4,311,948
Less: cash and cash equivalents	(1,933,863)	(6,758,947)
Net debt	<u>\$ 1,741,950</u>	<u>(2,446,999)</u>
Total equity	<u>\$ 21,196,468</u>	<u>21,143,509</u>
Debt-to-equity ratio	<u>8.22%</u>	<u>- %</u>

As of 31 December 2023, the Group's capital management strategy is consistent with the prior year as of 31 December 2022.

(z) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2023 and 2022, were as follows:

- (i) For right-of-use assets under leases, please refer to note 6(j)
- (ii) Reconciliation of liabilities arising from financing activities weas as follows:

	<b>January 1, 2023</b>	<b>Cash flows</b>	<b>Non-cash changes</b>		<b>December 31, 2023</b>
			<b>Foreign exchange movement</b>	<b>Other</b>	
Short-term borrowings	\$ 220,734	(220,734)	-	-	-
Lease liabilities	41,169	(47,317)	(409)	83,157	76,600
Guarantee deposits received	166,277	143,922	(3,894)	-	306,305
Total liabilities from financing activities	<u>\$ 428,180</u>	<u>(124,129)</u>	<u>(4,303)</u>	<u>83,157</u>	<u>382,905</u>

	<b>January 1, 2022</b>	<b>Cash flows</b>	<b>Non-cash changes</b>		<b>December 31, 2022</b>
			<b>Foreign exchange movement</b>	<b>Other</b>	
Short-term borrowings	\$ 777,808	(557,074)	-	-	220,734
Lease liabilities	83,504	(49,502)	196	6,971	41,169
Guarantee deposits received	165,706	(5,708)	6,279	-	166,277
Total liabilities from financing activities	<u>\$ 1,027,018</u>	<u>(612,284)</u>	<u>6,475</u>	<u>6,971</u>	<u>428,180</u>

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**(7) Related-party transactions**

**(a) Names and relationship with the Company**

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Hon Hai Precision Industry Co., Ltd. (Hon Hai Precision)	The entity with significant influence over the Group(note)
Fitipower Environmental Sustainability Foundation (Fitipower Foundation)	Other related parties
Hongfutai Precision Electrons (Yantai) Co., Ltd. (Hongfutai (Yantai))	Other related parties(note)
Foxconn Interconnect Technology Limited Taiwan Branch (Cayman)	Other related parties(note)
Hongfujin Precision Industry (Wuhan) Co., Ltd.	Other related parties(note)
Fulina Ambit (Shanghai) Microsystems Co., Ltd.	Other related parties(note)
Shenzhen Fu Tai Hong Precision Industrial Co., Ltd.	Other related parties(note)
Shenzhen Fulian Fugui Precision Industry Co., Ltd.	Other related parties(note)
Hongfujin Precision Electrons (Chongqing) Co., Ltd.	Other related parties(note)
Hongfujin Precision Electrons (Yantai) Co., Ltd.	Other related parties(note)
Nanning Fulian Fugui Precision Industry Co., Ltd.	Other related parties(note)
Kunshan Fuchengke Precision Electronical Co., Ltd. (Kunshan Fuchengke)	Other related parties(note)
Socle Technology Corp. (Socle Technology)	Other related parties(note)
CLOUD NETWORK TECHNOLOGY SINGAPORE(CLOUD NETWORK)	Other related parties(note)
FIH (HONG KONG) LIMITED	Other related parties(note)
Hongfujin Precision Industry (Shenzhen) Co., Ltd. (Renamed Foxconn Technology Group Co., Ltd. in December 2022.)	Other related parties(note)
ECMMS PRECISION SINGAPORE PTE.LTD.	Other related parties(note)
Chiun Mai Communication Systems, Inc.	Other related parties(note)
Futaijing Precision Electron (Beijing) Co., Ltd.	Other related parties(note)
FORTUNEBAY TECHNOLOGY PTE. LTD.(FORTUNEBAY)	Other related parties(note)

Note: On June 15, 2023, Hon Hai Precision resigned as a corporate director of the Group, losing significant influence over the Group. Henceforth, Foxconn Technology Group and its subsidiaries are no longer considered as related parties of the Group. The following discloses related-party transaction amounts between the Group and Hon Hai Precision for the periods from January 1 to June 30, 2023, and for the year ended December 31, 2022.

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Group to related parties were as follows:

	<b>2023</b>	<b>2022</b>
Hon Hai Precision	\$ 311	2,528
FIH(HONG KONG)	21,243	60,003
Kunshan Fuchengke	8,402	38,361
CLOUD NETWORK	17,235	82,693
FORTUNE BAY	25,238	-
Other related parties:	13,037	81,500
	<b>\$ 85,466</b>	<b>265,085</b>

Except for sales to the Other related parties, the selling price for related parties approximated the market price. The credit terms ranged from 90 day, while the credit term for routine sales transactions was within a month. Amounts receivable from related parties were uncollateralized.

(ii) Receivables from related parties

The receivables from related parties were as follows:

<b>Account</b>	<b>Relationship</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Trade receivables	Hon Hai Precision	\$ -	1,003
Trade receivables	Hongfutai (Yentai)	-	8
Trade receivables	Kunshan Fuchengke	-	9,866
Trade receivables	CLOUD NETWORK	-	28,462
Trade receivables	FIH(HONG KONG)	-	24,131
Trade receivables	Other related parties	-	26,025
		<b>\$ -</b>	<b>89,495</b>

(iii) Purchases

The amounts of significant purchases by the Group from related parties were as follows:

	<b>2023</b>	<b>2022</b>
Other related parties—Socle Technology	\$ -	31

Except when there are no comparable transactions available, and the transaction terms are determined through negotiations between the two parties, the remaining purchases from related parties are made by the Group based on the current price. The payment terms ranged from 45 day, which were no different from the payment terms given by other vendors.

(Continued)



**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Payables to related parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Trade payables	Other related parties – Socle Technology	\$ -	32

(v) Donation expenses

As of December 31, 2023 and 2022, the Group donated \$3,000 thousand and \$20,000 thousand, respectively, to the Fitipower Foundation, which was recorded under operating expenses.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 58,374	96,745
Post-employment benefits	216	155
	<u>\$ 58,590</u>	<u>96,900</u>

**(8) Pledged assets:**

The carrying values of assets pledged as security were as follows:

<u>Assets pledged as security</u>	<u>Liabilities secured by pledge</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current financial assets at amortized cost (Certificate Deposit)	Deposit for Customs	\$ 200	200

**(9) Commitments and contingencies:**

- (a) As of December 31, 2023 and 2022, the refundable notes payable for short-term borrowings amounted to \$4,770,315 thousand and \$4,770,530 thousand, respectively.
- (b) JADARD TECHNOLOGY INC., a subsidiary of the Group, applied for listing on the Sci-Tech Innovation Board (STAR Market) of the Shanghai Stock Exchange on June 29, 2021. The Company, Ever Harvest Limited and Trade Logic Limited are the controlling shareholders of JADARD TECHNOLOGY INC. (hereinafter collectively referred to as the controlling shareholders and parties acting in concert with them). In accordance with the requirements of the China Securities Regulatory Commission, the Shanghai Stock Exchange and other securities regulatory authorities, JADARD TECHNOLOGY INC., the controlling shareholders and parties acting in concert with them are required to give relevant undertakings. Information on related undertakings is available on the Market Observation Post System.

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(10) Losses Due to Major Disasters:None**

**(11) Subsequent Events:**

- (a) On February 20, 2024, JARDARD a subsidiary of the Group, decided to repurchase the CNY ordinary shares of JARDARD through centralized bidding within one year, by a resolution of the Board of Directors, for the implementation of employee share ownership plans or equity incentives. The total repurchase amount shall not be less than CNY \$40,000 thousand and not be more than CNY \$80,000 thousand.
- (b) On February 27, 2024, the company passed the resolution of the Board of Directors to increase the cash capital of Jadeite Investment Inc., with the expected capital increase amounting to \$500,000 thousand.

**(12) Other:**

- (a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	For the year ended December 31					
		2023			2022		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		65,805	1,880,048	1,945,853	77,021	2,223,154	2,300,175
Labor and health insurance		3,825	91,112	94,937	4,334	96,090	100,424
Pension		2,583	64,261	66,844	2,586	68,371	70,957
Remuneration of directors		-	1,871	1,871	-	1,107	1,107
Others		3,016	64,888	67,904	2,620	58,025	60,645
Depreciation		91,830	337,491	429,321	72,080	259,000	331,080
Amortization		-	105,955	105,955	-	60,965	60,965

(Continued)

## FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (13) Other disclosures:

##### (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Fitipower Integrated Technology Inc.	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	240,930	3,359,162	-	3,359,162	
Fitipower Integrated Technology Inc.	Fubon Chi-Hsiang Money Market Fund	-	Current financial assets at fair value through profit or loss	9,347	150,522	-	150,522	
Fitipower Integrated Technology Inc.	Jih Sun Money Market Fund	-	Current financial assets at fair value through profit or loss	87,100	1,328,665	-	1,328,665	
Fitipower Integrated Technology Inc.	FSITC Taiwan Money Market	-	Current financial assets at fair value through profit or loss	49,209	774,479	-	774,479	
Fitipower Integrated Technology Inc.	Union Money Market Fund	-	Current financial assets at fair value through profit or loss	29,921	406,177	-	406,177	
Fitipower Integrated Technology Inc.	Allianz Global Investors Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	10,409	134,162	-	134,162	
Fitipower Integrated Technology Inc.	Sinopac TWD Money Market Fund	-	Current financial assets at fair value through profit or loss	113,808	1,627,570	-	1,627,570	
Fitipower Integrated Technology Inc.	Hua Nan Phoenix Money Market Fund	-	Current financial assets at fair value through profit or loss	120,192	2,010,161	-	2,010,161	
Fitipower Integrated Technology Inc.	Shin Kong Chi-Shin Money-Market Fund	-	Current financial assets at fair value through profit or loss	11,210	178,263	-	178,263	
Fitipower Integrated Technology Inc.	Yuanta De- Bao Money Market Fund	-	Current financial assets at fair value through profit or loss	7,786	96,139	-	96,139	
Fitipower Integrated Technology Inc.	InnoCare Optoelectronics Corp.	-	Non current financial assets at fair value through other comprehensive income	168	14,330	0.42 %	14,330	
Jadeite Investment Inc.	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	13,532	188,676	-	188,676	
Jadeite Investment Inc.	Union Money Market Fund	-	Current financial assets at fair value through profit or loss	10,817	146,837	-	146,837	
Jadeite Investment Inc.	Jih Sun Money Market Fund	-	Current financial assets at fair value through profit or loss	11,190	170,705	-	170,705	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party(note)	Relationship with the company(note)	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares/Units (thousands)	Amount	Shares/Units (thousands)	Amount	Shares/Units (thousands)	Price	Cost	Gain (loss) on disposal	Shares/Units (thousands)	Amount
Fitipower Integrated Technology Inc.	Beneficiary certification - Jih Sun Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	110,822	1,680,200	23,722	360,000	359,062	938	87,100	1,328,665
Fitipower Integrated Technology Inc.	Beneficiary certification - FSITC Taiwan Money Market	Current financial assets at fair value through profit or loss	-	-	-	-	54,309	852,600	5,100	80,000	79,781	219	49,209	774,479

(Continued)

## FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Name of company	Category and name of security	Account name	Name of counter-party(note)	Relationship with the company(note)	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares/Units (thousands)	Amount	Shares/Units (thousands)	Amount	Shares/Units (thousands)	Price	Cost	Gain (loss) on disposal	Shares/Units (thousands)	Amount
Fitipower Integrated Technology Inc.	Beneficiary certification - Union Money Market Fund	Current financial assets at fair value through profit or loss	-	-	118,404	1,588,489	39,086	528,000	127,570	1,716,566	1,711,157	5,408	29,921	406,177
Fitipower Integrated Technology Inc.	Beneficiary certification - Allianz Global Investors Taiwan Money Market Fund	Current financial assets at fair value through profit or loss	-	-	71,815	914,582	26,719	342,600	88,124	1,129,915	1,122,126	7,790	10,409	134,162
Fitipower Integrated Technology Inc.	Beneficiary certification - Hua Nan Phoenix Money Market Fund	Current financial assets at fair value through profit or loss	-	-	51,883	857,077	230,652	3,826,733	162,342	2,695,233	2,685,621	9,612	120,192	2,010,161
Elan Microelectronics Corporation	Beneficiary certification - Taishin Ta-Chong Money Market Fund	Current financial assets at fair value through profit or loss	-	-	74,312	1,072,410	12,442	180,000	86,754	1,261,985	1,251,000	10,985	-	-
Fitipower Integrated Technology Inc.	Beneficiary certification - Yuanta Wan Tai Money Market Fund	Current financial assets at fair value through profit or loss	-	-	32,871	505,204	3,866	59,500	36,737	567,715	564,500	3,215	-	-
Fitipower Integrated Technology Inc.	Beneficiary certification - Yuanta De-Li Money Market Fund	Current financial assets at fair value through profit or loss	-	-	54,993	911,205	1,507	25,000	56,500	940,071	935,000	5,071	-	-
Fitipower Integrated Technology Inc.	Beneficiary certification - SinoPac TWD Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	124,357	1,764,900	10,549	150,000	149,072	928	113,808	1,627,570
Fitipower Integrated Technology Inc.	Beneficiary certification - Fubon Chi-Hsiang Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	51,443	823,500	42,096	675,025	673,500	1,525	9,347	150,522

Note : Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leaves the columns blank.

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Hefei Jadard Technology Co., Ltd.	Jadard Technology Limited Taiwan Branch	Associates	Sales	500,809	3.07 %	O/A 120 days	-	-	269,563	11.70%	
Hefei Jadard Technology Co., Ltd.	Jadard Technology Limited	Associates	Sales	430,693	2.64 %	O/A 120 days	-	-	16,204	0.70%	

Note: The amounts of the transaction and the ending balance had been offset in the consolidated financial statements.

(Continued)

## FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period(noe 1)	Allowance for bad debts
					Amount	Action taken		
Hefei Jadard Technology Co., Ltd.	Jadard Technology Limited Taiwan Branch	Associate	269,563	2.50	-	-	119,403	-

Note 1: The amounts received from related parties as of February 20, 2024.

Note 2: The amounts of the transaction and the ending balance had been offset in the consolidated financial statements.

(ix) Trading in derivative instruments:Please refer to notes 6(b).

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	Hefei Jadard Technology Co., Ltd.	Jadard Technology Limited Taiwan Branch	3	Sales	500,809	O/A 120 days	3.07%
1	Hefei Jadard Technology Co., Ltd.	Jadard Technology Limited Taiwan Branch	3	Accounts Receivable	269,563	O/A 120 days	1.08%
1	Hefei Jadard Technology Co., Ltd.	Jadard Technology Limited	3	Sales	430,693	O/A 120 days	2.64%

Note 1: Numbers are filled in as follows:

- 1.“0” represents the parent entity.
- 2..Subsidiaries are sequentially numbered starting from “1”.

Note 2: Relationships with transaction counterparties are categorized as follows:

- 1.Parent company to subsidiary.
- 2.Subsidiary and parent company.
- 3.Subsidiary to subsidiary.

Note 3: 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.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2023 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Highest Percentage of wnership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of wnership	Carrying value				
Fitipower Integrated Technology Inc.	Trade Logic Limited	BVI	Investment	302,296	302,296	30	100.00 %	4,566,493	100.00 %	269,496	269,496	note 1
Trade Logic Limited	Ever Harvest Limited	Samoa	Investment	302,296	302,296	10,000	100.00 %	4,566,493	100.00 %	269,496	269,496	note 1
Fitipower Integrated Technology Inc.	Visual Sensing Technology	Hsin Chu, Taiwan	IC design	260,000	260,000	23,000	89.16 %	31,745	89.16 %	(79,896)	(66,070)	note 1、2
JADARD TECHNOLOGY INC.	Jadard Technology Limited	Hong Kong	General trade	270,264	270,264	9,200	100.00 %	225,779	100.00 %	(209,398)	(209,398)	note 1
Fitipower Integrated Technology Inc.	Jadeite Investment Inc.	Tainan, Taiwan	Investment	500,000	500,000	50,000	100.00 %	506,333	100.00 %	6,146	6,146	note 1

Note 1: Investments in subsidiaries the Company has control over have been eliminated at the Group level from long-term investment.

Note 2: In October 2023, Visual Sensing Technology Corp. was dissolved but has not yet been liquidated.

(Continued)

## FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (note1)	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses) (note2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
JADARD TECHNOLOGY INC.	IC design	1,790,797 (note 3)	( 1 )	302,296	-	-	302,296	493,517	54.57%	55.04%	269,496	4,566,493	-
Hefei Jadard Technology Co., Ltd.	Supply chain management	224,523 (note 4)	( 2 )	-	-	-	-	35,516	54.57%	55.04%	19,389	420,984	-
Xiamen Jadard (note 7)	Supply chain management	4,344 (note 5)	( 2 )	-	-	-	-	(81)	-%	55.04%	(44)	-	-

Note 1: Method of investment:

(1) Indirect investment in Mainland China through a holding company established in other countries (Trade Logic Limited and Ever Harvest Limited)

(2) The investment method refers to a direct investment by a mainland company in a mainland company.

Note 2: The investment gains (losses) were recognized in the financial statements audited by other auditors.

Note 3: The paid-in capital was CNY 409,021 thousand, which was translated into NT 1,790,797 thousand at the exchange rate at the time of investment.

Note 4: The paid-in capital was CNY 50,000 thousand, which was converted to NT 224,523 thousand at the exchange rate at the time of investment.

Note 5: The paid-in capital was CNY 1,000 thousand, which was converted to NT 4,344 thousand at the exchange rate at the time of investment.

Note 6: Investments in subsidiaries the Company has control over have been eliminated at the Group level from long term investment.

Note 7: In December 2023, Xiamen Jadard Technology Co., Ltd. was dissolved and liquidated.

(ii) Limitation on investment in Mainland China:

(In Thousands of New Taiwan Dollars)

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
302,296	302,296	10,391,426

Note: The investment limit was calculated on the official document No. 09704604680 announced by the MOEAIC on August 29, 2008.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Hyield Venture Capital Co., Ltd.		8,589,089	7.08 %
Bao Shin International Investments Co., Ltd.		6,851,000	5.65 %
Hon Chi International Investment Co., Ltd.		6,565,024	5.41 %

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(14) Segment information:**

(a) Segment information

There is only one reportable operating segment of the Group, which is mainly engaged in research and development, production and sales of integrated circuits. In addition, the departmental profit and loss, departmental assets and departmental liabilities are consistent with the information stated in financial statements; please refer to the Consolidated Balance Sheet and the Consolidated Statement of Income.

(b) Overall information

1) Product and service information

Revenue from the external customers of the Group was as follows:

<u>Product and services</u>	<u>2023</u>	<u>2022</u>
Display driver IC	\$ 11,960,384	14,423,948
Power management IC	2,367,289	2,841,347
Service revenue	72,398	37,996
Others	<u>1,886,449</u>	<u>2,377,134</u>
Total	<u><u>\$ 16,286,520</u></u>	<u><u>19,680,425</u></u>

2) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

<u>Geographical information</u>	<u>2023</u>	<u>2022</u>
Revenue from external customers:		
Taiwan	\$ 1,608,856	2,710,034
Mainland China	10,364,007	12,723,352
Hong Kong	4,230,928	4,191,875
Others (less than 5%)	<u>82,729</u>	<u>55,164</u>
	<u><u>\$ 16,286,520</u></u>	<u><u>19,680,425</u></u>

<u>Geographical information</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-current assets:		
Taiwan	\$ 1,183,566	1,726,574
Mainland China	<u>634,061</u>	<u>1,847,972</u>
	<u><u>\$ 1,817,627</u></u>	<u><u>3,574,546</u></u>

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Non-current assets include property, plant and equipment, investment property, intangible assets, and other assets, not including financial instruments, deferred tax assets, pension fund assets, and rights arising from an insurance contract (non-current).

**2. Major customers**

Revenue from the major customers of the Group was as follows:

	<b>2023</b>	<b>2022</b>
Customer A	\$ 5,138,370	7,396,956
Customer B	2,134,843	4,399,846
Customer C	<u>1,748,824</u>	<u>1,182,542</u>
	<b><u>\$ 9,022,037</u></b>	<b><u>12,979,344</u></b>



**FITIPOWER INTEGRATED TECHNOLOGY INC.****Parent Company Only Financial Statements****With Independent Auditors' Report  
For the Years Ended December 31, 2023 and 2022**

Address: 3F, No.6-8, Duxing Rd., Hsinchu Science Park, Hsinchu City  
Telephone: (03)5788-618

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.



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## Independent Auditors' Report

To the Board of Directors of Fitipower Integrated Technology Inc.:

### Opinion

We have audited the financial statements of Fitipower Integrated Technology Inc. ("the Company"), which comprise the balance sheet as of December 31, 2023 and 2022, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its 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 Engagements of Certified Public Accountants and 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 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. Based on our audits and the report of another auditor, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Matter

We did not audit the financial statements of JADARD TECHNOLOGY INC. and its subsidiaries of the Group, which represented investment in accounted for using the equity method of the Company. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for JADARD TECHNOLOGY INC. and its subsidiaries, is based solely on the report of another auditor. The investment in JADARD TECHNOLOGY INC. and its subsidiaries accounted for using the equity method constituted 23.13% of the total assets on December 31, 2023, and the related share of profit of subsidiaries for using the equity method constituted 10.48% of the total profit before tax for the years then ended.

### Key Audit Matters

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

#### 1. Inventory valuation

Refer to Note 4(g) for accounting policy on inventory, Note 5 for accounting estimations and assumption uncertainty of inventory valuation, and Note 6(e) for the disclosure of inventories.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to the rapid changes in the environment and the continuous updating of production technology, there is a risk that the original products may become obsolete or no longer meet the market demand. The demand for and prices of the related products may fluctuate, and the estimation of the net realizable value of inventories depends on the subjective judgment of the management of the Company. Therefore, the valuation of inventories has been identified as a key audit matter.

How the matter was addressed in our audit:

For the valuation of the inventories, we observed the physical count of inventories at the year end to inspect the condition of inventories; reviewed inventory aging reports, analyzed inventory turnovers and changes in its aging inventory for each period to assess the reasonableness of the Company's inventory provision rate; obtained the calculation schedule of the allowance for inventory valuation loss, and verified the consistency with the accounting records; evaluated the reasonableness of accounting policy, delved into the sales price adopted by management in valuation, and reviewed the sales and valuation which was based on the net realizable value used to assess the policy of management's estimation of inventory provision.

2. Revenue recognition

Refer to Note 4(n) for accounting policy of revenue recognition and Note 6(r) for the details of sales revenue.

Description of key audit matter:

The major business activities of the Company are the manufacture and sale of integrated circuits. The Company also offers research and development services with respect to the products presented above. Revenue is the key indicator to evaluate the performance by investors and management, and thus, needs significant attention in our audit.

How the matter was addressed in our audit:

Our audit procedures in this area included, among others: testing the effectiveness of related controls of revenue recognition and reviewing relevant sales documents to evaluate whether the revenue recognition was consistent with the accounting policy; performing trend analysis of the ten largest customers and revenue of each product category, so as to assess whether there was material abnormality, if any; testing the sales transactions before and after the end of the year and relevant documents to evaluate the accuracy of the amount and period of revenue recognition.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 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 Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 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 auditor's 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 financial statements, including the disclosures, and whether the 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 the investment in other entities accounted for using the equity method to express an opinion on this 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hsiao, Pei-Ju and Lee, Fang-Yi.

KPMG

Taipei, Taiwan (Republic of China)

February 27, 2024

#### **Notes to Readers**

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the 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 accepted and applied in the Republic of China.

The auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

## FITIPOWER INTEGRATED TECHNOLOGY INC.

## Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2023		December 31, 2022		Liabilities and Equity		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents(note (6)(a))	\$ 312,496	2	463,764	2	2120	Current financial liabilities at fair value through profit or loss (note (6)(b))	\$ -	-	1,306	-
1110	Current financial assets at fair value through profit or loss(notes (6)(b) and (13))	10,077,096	51	9,141,040	44	2130	Current contract liabilities(note (6)(r))	8,125	-	91,852	-
1170	Accounts receivable, net(note (6)(d))	2,017,647	10	2,404,895	12	2170	Accounts payable(note (7))	1,086,347	6	1,432,968	7
1181	Accounts receivable due from related parties(notes (6)(d) and (7))	-	-	89,495	-	2200	Other payables(note (6)(k))	642,673	3	770,175	4
1197	Finance lease payment receivable	11,177	-	12,828	-	2230	Current tax liabilities	518,731	3	790,210	4
1200	Other receivables, net(note (7))	28,595	-	44,296	-	2280	Current lease liabilities(note (6)(l))	21,870	-	21,589	-
130X	Inventories, net(note (6)(e))	997,387	5	1,870,467	10	2300	Other current liabilities, others	13,625	-	19,139	-
1410	Prepayments and other current assets(note (6)(f))	11,883	-	16,306	-			2,291,371	12	3,127,239	15
		13,456,281	68	14,043,091	68						
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>					
1517	Non-current financial assets at fair value through other comprehensive income(notes (6)(c) and (13))	14,330	-	-	-	2570	Deferred tax liabilities(note (6)(n))	73,686	-	71,251	-
1550	Investments accounted for using equity method, net(notes (6)(g) and (13))	5,104,571	26	4,888,392	24	2580	Non-current lease liabilities(note (6)(l))	30,270	-	6,865	-
1600	Property, plant and equipment(note (6)(h))	558,152	3	556,554	3	2630	Long-term deferred revenue	12,705	-	15,635	-
1755	Right of use assets(note (6)(i))	51,722	-	28,095	-	2645	Guarantee deposits received	13,050	-	768	-
1780	Intangible assets(note (6)(j))	42,380	-	49,062	-			129,711	-	94,519	-
1840	Deferred tax assets(note (6)(n))	37,276	-	29,571	-		<b>Total liabilities</b>	2,421,082	12	3,221,758	15
1900	Other non-current assets(note (6)(k))	475,413	3	1,010,529	5		<b>Equity attributable to owners of parent:(notes 6(o) and (p))</b>				
194D	Long-term finance lease payment receivable	-	-	11,177	-	3110	Ordinary share	1,212,545	6	1,865,453	9
		6,283,844	32	6,573,380	32	3200	Capital surplus	8,621,547	44	8,615,095	43
							<b>Retained earnings:</b>				
						3310	Legal reserve	1,160,976	6	853,945	4
						3320	Special reserve	28,704	-	43,782	-
						3351	Unappropriated retained earnings	6,330,352	32	6,054,591	29
								7,520,032	38	6,952,318	33
						3400	Other equity	(26,923)	-	(28,704)	-
						3500	Treasury shares	(8,158)	-	(9,449)	-
							<b>Total equity</b>	17,319,043	88	17,394,713	85
<b>Total assets</b>		<b>\$ 19,740,125</b>	<b>100</b>	<b>20,616,471</b>	<b>100</b>		<b>Total liabilities and equity</b>	<b>\$ 19,740,125</b>	<b>100</b>	<b>20,616,471</b>	<b>100</b>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**FITIPOWER INTEGRATED TECHNOLOGY INC.****Statements of Comprehensive Income****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)**

		<b>2023</b>		<b>2022</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue</b> (notes (6)(r) and (7))	\$ 10,976,678	100	14,405,751	100
5000	<b>Operating costs</b> (notes (6)(e), (k), (7) and (12))	<u>6,737,952</u>	<u>61</u>	<u>8,658,528</u>	<u>60</u>
5900	<b>Gross profit from operations</b>	<u>4,238,726</u>	<u>39</u>	<u>5,747,223</u>	<u>40</u>
<b>Operating expenses:</b> (notes (6)(j), (k), (l), (m), (p), (s), (7) and (12))					
6100	Selling expenses	243,974	2	267,291	2
6200	Administrative expenses	242,898	2	272,726	2
6300	Research and development expenses	<u>1,554,771</u>	<u>14</u>	<u>1,669,243</u>	<u>12</u>
		<u>2,041,643</u>	<u>18</u>	<u>2,209,260</u>	<u>16</u>
6900	<b>Net operating income</b>	<u>2,197,083</u>	<u>21</u>	<u>3,537,963</u>	<u>24</u>
<b>Non-operating income and expenses:</b> (notes (6)(g), (j), (l) and (t))					
7100	Interest income	5,539	-	12,086	-
7010	Other income	23,126	-	10,376	-
7020	Other gains and losses	136,958	1	(27,027)	-
7050	Finance costs	(122)	-	(12,145)	-
7070	Share of profit of associates and joint ventures accounted for using equity method	<u>209,572</u>	<u>2</u>	<u>230,620</u>	<u>2</u>
		<u>375,073</u>	<u>3</u>	<u>213,910</u>	<u>2</u>
7900	<b>Profit before income tax</b>	2,572,156	24	3,751,873	26
7950	Less: Income tax expenses(note (6)(n))	<u>421,943</u>	<u>4</u>	<u>681,567</u>	<u>5</u>
8000	<b>Profit</b>	<u>2,150,213</u>	<u>20</u>	<u>3,070,306</u>	<u>21</u>
8300	<b>Other comprehensive income: (note (6)(n) and (o))</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(7,932)	-	-	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>(7,932)</u>	<u>-</u>	<u>-</u>	<u>-</u>
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	12,184	-	18,942	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>2,471</u>	<u>-</u>	<u>3,864</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>9,713</u>	<u>-</u>	<u>15,078</u>	<u>-</u>
	<b>Other comprehensive income</b>	<u>1,781</u>	<u>-</u>	<u>15,078</u>	<u>-</u>
8500	<b>Total comprehensive income</b>	<u>\$ 2,151,994</u>	<u>20</u>	<u>3,085,384</u>	<u>21</u>
<b>Earnings per share (expressed in dollars)(note (6)(q))</b>					
9750	Basic earnings per share	<u>\$ 13.29</u>		<u>16.49</u>	
9850	Diluted earnings per share	<u>\$ 13.23</u>		<u>16.31</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**FITIPOWER INTEGRATED TECHNOLOGY INC.****Statements of Changes in Equity****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	Ordinary shares	Capital surplus	Retained earnings			Exchange differences on translation of foreign financial statements	Total other equity interest		Treasury shares	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings		Unrealized losses on financial assets measured at fair value through other comprehensive income	Total other equity interest		
<b>Balance at January 1, 2022</b>	\$ 1,865,453	6,986,364	268,720	13,192	6,765,097	(43,782)	-	(43,782)	(9,449)	15,845,595
Profit	-	-	-	-	3,070,306	-	-	-	-	3,070,306
Other comprehensive income	-	-	-	-	-	15,078	-	15,078	-	15,078
Total comprehensive income	-	-	-	-	3,070,306	15,078	-	15,078	-	3,085,384
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	585,225	-	(585,225)	-	-	-	-	-
Special reserve appropriated	-	-	-	30,590	(30,590)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(3,164,997)	-	-	-	-	(3,164,997)
Changes in ownership interests in subsidiaries	-	1,628,731	-	-	-	-	-	-	-	1,628,731
Balance at December 31, 2022	1,865,453	8,615,095	853,945	43,782	6,054,591	(28,704)	-	(28,704)	(9,449)	17,394,713
Profit	-	-	-	-	2,150,213	-	-	-	-	2,150,213
Other comprehensive income	-	-	-	-	-	9,713	(7,932)	1,781	-	1,781
Total comprehensive income	-	-	-	-	2,150,213	9,713	(7,932)	1,781	-	2,151,994
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	307,031	-	(307,031)	-	-	-	-	-
Special reserve appropriated	-	-	-	(15,078)	15,078	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,582,499)	-	-	-	-	(1,582,499)
Capital reduction	(652,908)	-	-	-	-	-	-	-	1,291	(651,617)
Changes in ownership interests in subsidiaries	-	4,479	-	-	-	-	-	-	-	4,479
Share-based payments	-	1,973	-	-	-	-	-	-	-	1,973
<b>Balance at December 31, 2023</b>	<u>\$ 1,212,545</u>	<u>8,621,547</u>	<u>1,160,976</u>	<u>28,704</u>	<u>6,330,352</u>	<u>(18,991)</u>	<u>(7,932)</u>	<u>(26,923)</u>	<u>(8,158)</u>	<u>17,319,043</u>

See accompanying notes to parent company only financial statements.



(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**FITIPOWER INTEGRATED TECHNOLOGY INC.****Statements of Cash Flows****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 2,572,156	3,751,873
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	228,098	176,032
Amortization expense	80,719	36,312
Net (loss) gain on financial assets or liabilities at fair value through profit or loss	(114,520)	94,503
Interest expense	122	12,145
Interest income	(5,539)	(12,086)
Compensation cost of share-based payment transaction	1,973	-
Share of gain of associates accounted for using equity method	(209,572)	(230,620)
Impairment loss and disposal loss on inventory	68,158	184,177
Other operating costs	-	96,857
Impairment loss on non-financial assets	8,544	183,365
Realized profit on from sales	(2,930)	(2,930)
<b>Total adjustments to reconcile profit</b>	<b>55,053</b>	<b>537,755</b>
<b>Changes in operating assets and liabilities:</b>		
Decrease in finance lease payment receivable	12,828	12,220
Decrease in accounts receivable	476,743	2,254,675
Decrease in other receivables	15,735	52,012
Decrease in inventories	804,922	582,364
Decrease in prepayments and other current assets	4,423	246,659
Increase in other non-current assets	(51,752)	(31,274)
(Decrease) increase in current contract liabilities	(83,727)	84,039
Decrease in accounts payable	(346,621)	(1,572,923)
Decrease in other payable	(125,454)	(71,218)
(Decrease) increase in other current liabilities	(5,514)	440
<b>Total changes in operating assets and liabilities</b>	<b>701,583</b>	<b>1,556,994</b>
Cash inflow generated from operations	3,328,792	5,846,622
Interest received	5,505	12,745
Interest paid	(1,085)	(11,377)
Income taxes paid	(701,163)	(989,932)
<b>Net cash flows from operating activities</b>	<b>2,632,049</b>	<b>4,858,058</b>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(22,262)	-
Decrease in financial assets at amortized cost	-	550,000
Acquisition of financial assets at fair value through profit or loss	(10,564,785)	(17,078,603)
Proceeds from disposal of financial assets at fair value through profit or loss	9,741,943	12,732,372
Acquisition of investments accounted for using equity method	-	(615,000)
Acquisition of property, plant and equipment	(195,820)	(387,869)
Decrease in refundable deposits	586,695	135,127
Acquisition of intangible assets	(74,037)	(73,180)
Cash dividends received	1,685	-
<b>Net cash flows used in investing activities</b>	<b>(526,581)</b>	<b>(4,737,153)</b>
<b>Cash flows from financing activities:</b>		
Decrease in short-term borrowings	-	(777,808)
Increase (decrease) in guarantee deposits received	12,282	(109,952)
Payment of lease liabilities	(34,902)	(33,533)
Cash dividends paid	(1,582,499)	(3,164,997)
Capital reduction payments to shareholders	(651,617)	-
<b>Net cash flows used in financing activities</b>	<b>(2,256,736)</b>	<b>(4,086,290)</b>
<b>Net decrease used in cash and cash equivalents</b>	<b>(151,268)</b>	<b>(3,965,385)</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>463,764</b>	<b>4,429,149</b>
<b>Cash and cash equivalents at the end of period</b>	<b>\$ 312,496</b>	<b>463,764</b>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**FITIPOWER INTEGRATED TECHNOLOGY INC.**

**Notes to the Financial Statements**

**For the years ended December 31, 2023 and 2022**

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

**(1) Company history**

Fitipower Integrated Technology Inc. (hereinafter “the Company”) was incorporated on July 4, 1995, with the approval of the Ministry of Economic Affairs, and its registered office is located at 3F., No.6 8, Duxing Rd., Hsinchu Science Park, Hsinchu City. Upon the resolution of the shareholders' meeting on March 30, 2006, the Company merged with Hongxin Semiconductor Co.(hereinafter referred to as Hongxin) on May 1 of the same year. The Company's primary activities after the merger are research, development, production, manufacturing and sales of integrated circuits (ICs) for integrated service digital network system, memory ICs for communication, analog and digital hybrid ICs, as well as custom design, consumer ICs, and microcomputer peripheral ICs. Upon the resolution of the shareholders' meeting on April 16, 2010, the Company merged with TechPower Semiconductor Co (hereinafter "TechPower") with May 1, 2010 as the merger date, the Company was the surviving company and TechPower was extinguished after the merger. The Company's shares have been listed on Taiwan Stock Exchange since October 17, 2018.

**(2) Approval date and procedures of the financial statements:**

These financial statements were authorized for issue by the Board of Directors on February 27, 2024.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Company has initially adopted the new amendment, which do not have a significant impact on its financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC.**  
**Notes to the Financial Statements**

- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

**(4) Summary of material accounting policies:**

The material accounting policies presented in the parent company only financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

- (a) Statement of compliance

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- (b) Basis of preparation

- (i) Basis of measurement

Except for the following significant accounts, the parent company only financial statements have been prepared on a historical cost basis.

- (ii) Functional and presentation currency

The functional currency of each Company entity is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan Dollar (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

- (c) Foreign currencies

- (i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined.

(Continued)

## FITIPOWER INTEGRATED TECHNOLOGY INC.

### Notes to the Financial Statements

Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Exchange differences are generally recognized in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(Continued)

## FITIPOWER INTEGRATED TECHNOLOGY INC.

### Notes to the Financial Statements

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

## FITIPOWER INTEGRATED TECHNOLOGY INC.

### Notes to the Financial Statements

#### 2) Fair value through other comprehensive income (FVOCI )

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

#### 3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

#### 4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, trade receivables, other receivable, guarantee deposit paid and other financial assets).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

(Continued)

## FITIPOWER INTEGRATED TECHNOLOGY INC.

### Notes to the Financial Statements

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forwardlooking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 360 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery

(Continued)

## FITIPOWER INTEGRATED TECHNOLOGY INC.

### Notes to the Financial Statements

from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

#### 5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a debt instrument in its entirety, the Company recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on fair value through other comprehensive income", in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### 2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

##### 3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

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## FITIPOWER INTEGRATED TECHNOLOGY INC.

### Notes to the Financial Statements

#### 4) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss, which comprise short-term loans and borrowings, accounts payable and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized as finance cost under nonoperating revenue and expenses. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

#### 5) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any noncash assets transferred or liabilities assumed) is recognized in profit or loss.

#### 6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset, and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

#### (iii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

#### (g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(Continued)

## FITIPOWER INTEGRATED TECHNOLOGY INC.

### Notes to the Financial Statements

#### (h) Investment in subsidiaries

In preparing the separate financial statement of the Company, investee companies controlled by the Company are accounted for using the equity method. Under the equity method, the Company's profit or loss and other comprehensive income are the same as the profit or loss and other comprehensive income attributable to the owners in the financial statements. The equity balance in the separate financial statements is the same as the equity balance in the financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions.

#### (i) Property, plant and equipment

##### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

##### (ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

##### (iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

A leased asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Machinery and equipment: 2~10 years
- 2) Office equipment: 1~6 years
- 3) Leasehold improvements: 5 years

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(Continued)

## FITIPOWER INTEGRATED TECHNOLOGY INC.

### Notes to the Financial Statements

#### (j) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. As a lease.

##### (i) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

(Continued)

## FITIPOWER INTEGRATED TECHNOLOGY INC.

### Notes to the Financial Statements

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(k) Intangible assets

(i) Goodwill

Goodwill is recognized when the purchase price exceeds the fair value of the identifiable assets under the acquisition method. Goodwill acquired through consolidation is not amortized. Impairment testing is performed on a regular basis and is measured at initial cost, less, any accumulated impairment loss.

(ii) Research and development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred. Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

(Continued)

## FITIPOWER INTEGRATED TECHNOLOGY INC.

### Notes to the Financial Statements

- 1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- 2) Its intention to complete the intangible asset and use or sell it.
- 3) Its ability to use or sell the intangible asset.
- 4) How the intangible asset will generate probable future economic benefits.
- 5) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- 6) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

#### (iii) Other intangible assets

The other intangible assets acquired by the Company are recognized at cost less accumulated amortization and any accumulated impairment losses.

#### (iv) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

#### (v) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

- 1) Computer software: 1~10 years
- 2) Patent and Technical Knowhow: 1~3 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### (l) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

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## FITIPOWER INTEGRATED TECHNOLOGY INC.

### Notes to the Financial Statements

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ( CGUs ) . Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(n) Revenue from contracts with customers

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods—electronic components

The Company manufactures and sells electronic components to computer manufacturers. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

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## FITIPOWER INTEGRATED TECHNOLOGY INC.

### Notes to the Financial Statements

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

#### 2) Services

The Company provides Integrated Circuits product design and development services to its customers and recognizes revenue during the reporting period when services are rendered.

#### (o) Government grants

The Company recognizes an unconditional government grant related to in profit or loss as other income when the grant becomes received. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

#### (p) Employee benefits

##### (i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

##### (ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (q) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

#### (r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

(Continued)

## FITIPOWER INTEGRATED TECHNOLOGY INC.

### Notes to the Financial Statements

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
- (s) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as share-based payment awards and employee share bonus.

- (t) Operating segments

The Company has disclosed information about operating segments in its financial statement. Hence no segmental information was disclosed in the separate financial statements.

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# FITIPOWER INTEGRATED TECHNOLOGY INC.

## Notes to the Financial Statements

### (5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

In preparing these parent company only financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The Company is likely to be facing economic uncertainty, such as inflation and technological changes. Those events may have a significant impact on the following accounting estimates, which depend on the future forecasts.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows:

#### (a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(e) for further description of the valuation of inventories.

#### (b) Impairment of goodwill

The assessment of impairment of goodwill requires the Company to make subjective judgments to identify CGUs, allocate the goodwill to relevant CGUs, and estimate the recoverable amount of relevant CGUs. Refer to note 6(j) for further description of the impairment of goodwill.

### (6) Explanation of significant accounts:

#### (a) Cash and cash equivalents

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Petty cash	\$ 725	735
Checking and demand deposits	211,771	463,029
Time deposits	100,000	-
	<b><u>\$ 312,496</u></b>	<b><u>463,764</u></b>

#### (i) The interest rate range of the time deposit of the Company is as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Interest rate range	<b><u>1.10%</u></b>	<b><u>-</u></b>

(Continued)

# FITIPOWER INTEGRATED TECHNOLOGY INC.

## Notes to the Financial Statements

- (ii) Please refer to Note 6(u) for the interest rate risk and fair value sensitivity analysis of the financial assets and liabilities of the Company.
- (b) Financial assets and liabilities at fair value through profit or loss
- (i) Mandatorily measured at fair value through profit or loss

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Financial assets mandatorily measured at fair value through profit or loss:		
Current:		
Domestic open-ended funds	\$ 10,065,300	9,140,473
Currency swaps	1,993	540
Forward exchange contracts	9,803	27
	<b>\$ 10,077,096</b>	<b>9,141,040</b>
	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Financial liabilities mandatorily measured at fair value through profit or loss:		
Current:		
Currency swaps	\$ -	1,176
Forward exchange contracts	-	130
Total	<b>\$ -</b>	<b>1,306</b>

- (ii) Details of derivative financial assets and liabilities were as follows:

- 1) Currency swaps

	<b>Contract Amount (in thousands)</b>	<b>Currency</b>	<b>Due date</b>	<b>FX Spot Rate</b>	<b>FX Forward Rate</b>
December 31, 2023	\$ 9,000	USD	2024.1	30.866~30.927	30.800~30.842
December 31, 2022	\$ 33,000	USD	2023.1	30.650~30.707	30.600~30.625

- 2) Forward exchange contracts

	<b>December 31, 2023</b>				<b>December 31, 2022</b>			
	<b>Contract Amount</b>	<b>Currency</b>	<b>Due date</b>	<b>FX Forward Rate</b>	<b>Contract Amount</b>	<b>Currency</b>	<b>Due date</b>	<b>FX Forward Rate</b>
Forward exchange sold	22,500	USD	2024.1~2024.3	30.500~31.427	6,000	USD	2024.1	30.670~30.687

For the years ended December 31, 2023 and 2022, the net loss on valuation of financial assets (liabilities) through profit or loss arising from the above transactions amounted to \$5,217 thousand and \$141,668 thousand, respectively, please refer to Note 6(t).

- (iii) For market and liquidity risk information, please refer to Note 6(u).

(Continued)

# **FITIPOWER INTEGRATED TECHNOLOGY INC.**

## **Notes to the Financial Statements**

- (iv) The Company's financial assets at fair value through profit or loss were not pledged as collateral for its loans.

(c) Financial assets at fair value through other comprehensive income

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Equity investments at fair value through other comprehensive income:		
Non current:		
Shares in domestic listed entities	<b>\$ <u>14,330</u></b>	<b><u>-</u></b>

- (i) The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for the long term strategic purposes.
- (ii) There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2023.
- (iii) For market risk information, please refer to Note 6(u).
- (iv) The Company's financial assets at fair value through other comprehensive income were not pledged as collateral for its loans.

(d) Accounts receivable (including the part from related parties), net

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Accounts receivable (including the part from related parties)	<b>\$ 2,023,860</b>	<b>2,500,603</b>
Less: Loss allowance	<b><u>(6,213)</u></b>	<b><u>(6,213)</u></b>
	<b><u>\$ 2,017,647</u></b>	<b><u>2,494,390</u></b>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable (including related parties) have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provisions were determined as follows:

(Continued)

# FITIPOWER INTEGRATED TECHNOLOGY INC.

## Notes to the Financial Statements

	<b>December 31, 2023</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 1,939,541	0.21%	3,987
1 to 30 days past due	81,987	0.11%	91
31 to 60 days past due	129	1.24%	2
61 to 90 days past due	74	10.27%	8
91 to 120 days past due	5	14.82%	1
More than 120 days past due	2,124	50%~100%	2,124
	<b>\$ 2,023,860</b>		<b>6,213</b>

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 2,423,774	0.18%	4,448
1 to 30 days past due	67,056	0.50%	335
31 to 60 days past due	6,873	1.22%	84
61 to 90 days past due	1,695	9.08%	154
91 to 120 days past due	15	14.51%	2
More than 120 days past due	1,190	50%-100%	1,190
	<b>\$ 2,500,603</b>		<b>6,213</b>

The movement in the allowance for accounts receivable (including the part from related parties) was as follows:

	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 6,213	6,516
Amounts written off	-	(303)
Balance at December 31	<b>\$ 6,213</b>	<b>6,213</b>

The Company's accounts receivable has not been pledged as collateral for its loans.

(e) Inventories

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Finished goods	\$ 367,812	626,930
Work in progress	374,367	795,478
Raw materials	255,208	448,059
	<b>\$ 997,387</b>	<b>1,870,467</b>

(Continued)

# FITIPOWER INTEGRATED TECHNOLOGY INC.

## Notes to the Financial Statements

- (i) The details of the cost of sales were as follows:

	<u>2023</u>	<u>2022</u>
Inventory that has been sold	\$ 6,669,794	8,474,351
Write-down of inventories and obsolescence	<u>68,158</u>	<u>184,177</u>
	<u><u>\$ 6,737,952</u></u>	<u><u>8,658,528</u></u>

- (ii) As of December 31, 2023 and 2022, the Company did not provide any inventories as collateral for its loans.

- (f) Prepayments and other current assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepayment for purchases	\$ 2,727	2,368
Prepaid expenses	788	2,437
Overpaid sales tax and prepaid income tax	8,218	11,501
Payment on behalf of others	<u>150</u>	<u>-</u>
	<u><u>\$ 11,883</u></u>	<u><u>16,306</u></u>

- (g) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries	\$ 5,113,115	4,888,392
Less: accumulated impairment losses	<u>(8,544)</u>	<u>-</u>
Subsidiaries	<u><u>\$ 5,104,571</u></u>	<u><u>4,888,392</u></u>
	<u>2023</u>	<u>2022</u>
The Company's share of gain of subsidiaries accounted for using equity method	<u><u>\$ 209,572</u></u>	<u><u>230,620</u></u>

- (i) The company's significant subsidiary, JADARD TECHNOLOGY INC., completed its initial public offering and listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange on September 27, 2022. The issuance price was CNY 21.68 per share, with the stock abbreviation "JADARD" and stock code 688252. After the initial public offering of 40,555,560 new shares, the total share capital was 405,555,600 shares. The company's ownership of the subsidiary dropped from 61.15% to 55.04%. This change did not result in a loss of control and should be treated as an equity transaction with an increase in capital surplus of \$1,636,704 thousand, which did not affect profit and loss. From the date of JADARD TECHNOLOGY INC.'s stock listing until March 2026, the company undertook not to transfer the shares of JADARD TECHNOLOGY INC. held by the company. As of December 31, 2023 and 2022, the fair value of JADARD TECHNOLOGY INC., with publicly quoted prices attributable to the company was \$19,278,488 thousand and \$16,499,563 thousand, respectively.

(Continued)

# FITIPOWER INTEGRATED TECHNOLOGY INC.

## Notes to the Financial Statements

- (ii) On January 19, 2023, JADARD TECHNOLOGY INC. carried out a capital increase of 3,465,741 shares in the amount of CNY 3,466 thousand through the exercise of stock options by employees. After the capital increase, the company's ownership of the subsidiary decreased from 55.04% to 54.57%. This change did not result in a loss of control and should be treated as an equity transaction with an increase in capital surplus of \$4,479 thousand, which did not affect profit or loss.
- (iii) In October 2022, Visual Sensing Technology Corp. carried out a capital increase of 11,500 thousand shares for \$115,000 thousand. After the capital increase, the company's ownership of Visual Sensing Technology Corp. increased from 83.35% to 89.16%. This change is treated as an equity transaction, decreasing the capital surplus by \$7,973 thousand. Due to Visual Sensing Technology Corp. was dissolved but not yet liquidated in October 2023, and the goodwill and patent rights obtained from the acquisition were estimated to have recoverable amounts less than their carrying amounts. Therefore, the impairment loss on investments accounted for using the equity method was assessed at \$8,544 thousand in 2023, and was reported under "other gains and losses" in the comprehensive income statement.
- (iv) The Company invested and established Jadeite Investment Inc. on May 24, 2022. On February 27, 2024, the company passed the resolution of the Board of Directors to increase the cash capital of Jadeite Investment Inc., with the expected capital increase amounting to \$500,000 thousand.
- (v) Other information please see the financial statements for the years end December 31, 2023.
- (vi) As of December 31, 2023 and 2022, the Company did not provide any investments accounted for using the equity method as collateral for its loans.
- (h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company, were as follows:

	<b>Machinery and equipment</b>	<b>Office equipment</b>	<b>Leasehold improvements</b>	<b>Equipment awaiting examination</b>	<b>Total</b>
<b>Cost:</b>					
Balance at 1 January, 2023	\$ 975,069	65,981	8,658	97	1,049,805
Additions	191,013	4,702	105	-	195,820
Disposal	(8,831)	(610)	-	-	(9,441)
Transfer from (to)	-	97	-	(97)	-
Balance at December 31, 2023	<u>\$ 1,157,251</u>	<u>70,170</u>	<u>8,763</u>	<u>-</u>	<u>1,236,184</u>
Balance at 1 January, 2022	\$ 597,408	55,331	7,517	3,179	663,435
Additions	375,221	11,410	1,141	97	387,869
Disposal	(739)	(760)	-	-	(1,499)
Transfer from (to)	3,179	-	-	(3,179)	-
Balance at December 31, 2022	<u>\$ 975,069</u>	<u>65,981</u>	<u>8,658</u>	<u>97</u>	<u>1,049,805</u>

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC.**  
**Notes to the Financial Statements**

	<b>Machinery and equipment</b>	<b>Office equipment</b>	<b>Leasehold improvements</b>	<b>Equipment awaiting examination</b>	<b>Total</b>
<b>Depreciation and impairments loss:</b>					
Balance at 1 January, 2023	\$ 441,835	46,213	5,203	-	493,251
Depreciation	182,403	10,834	985	-	194,222
Disposal	(8,831)	(610)	-	-	(9,441)
Balance at December 31, 2023	<u>\$ 615,407</u>	<u>56,437</u>	<u>6,188</u>	<u>-</u>	<u>678,032</u>
Balance at 1 January, 2022	\$ 310,181	37,427	3,784	-	351,392
Depreciation	132,393	9,546	1,419	-	143,358
Disposal	(739)	(760)	-	-	(1,499)
Balance at December 31, 2022	<u>\$ 441,835</u>	<u>46,213</u>	<u>5,203</u>	<u>-</u>	<u>493,251</u>
<b>Carrying amount:</b>					
Balance at December 31, 2023	<u>\$ 541,844</u>	<u>13,733</u>	<u>2,575</u>	<u>-</u>	<u>558,152</u>
Balance at December 31, 2022	<u>\$ 533,234</u>	<u>19,768</u>	<u>3,455</u>	<u>97</u>	<u>556,554</u>
Balance at January 1, 2022	<u>\$ 287,227</u>	<u>17,904</u>	<u>3,733</u>	<u>3,179</u>	<u>312,043</u>

As of December 31, 2023 and 2022, the Company did not provide any Property, plant and equipment as collateral for its loans.

(i) Right-of-use assets

The Company leases many assets including buildings equipment. Information about leases for which the Company as a lessee was presented below:

	<b>Buildings</b>
<b>Cost:</b>	
Balance at 1 January, 2023	\$ 78,939
Additions	57,542
Disposal	(54,879)
Effect of movements in exchange rates	(42)
Balance at December 31, 2023	<u>\$ 81,560</u>
Balance at 1 January, 2022	\$ 116,700
Additions	27,729
Disposal	(65,511)
Effect of movements in exchange rates	21
Balance at December 31, 2022	<u>\$ 78,939</u>
<b>Accumulated depreciation and impairment losses:</b>	
Balance at 1 January, 2023	\$ 50,844
Depreciation	33,876
Disposal	(54,879)
Effect of movements in exchange rates	(3)
Balance at December 31, 2023	<u>\$ 29,838</u>

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC.**  
**Notes to the Financial Statements**

	<b>Buildings</b>
Balance at 1 January, 2022	\$ 60,695
Depreciation	32,674
Disposal	(42,535)
Effect of movements in exchange rates	10
Balance at December 31, 2022	<u><u>\$ 50,844</u></u>
<b>Carrying amount:</b>	
Balance at December 31, 2023	<u><u>\$ 51,722</u></u>
Balance at December 31, 2022	<u><u>\$ 28,095</u></u>
Balance at January 1, 2022	<u><u>\$ 56,005</u></u>

(j) Intangible assets

(i) The movements of cost and accumulated amortization of intangible assets were as follows:

	<b>Goodwill</b>	<b>Computer software</b>	<b>Patent and Technical Know-how</b>	<b>Total</b>
<b>Cost:</b>				
Balance at 1 January, 2023	\$ 184,972	82,636	26,527	294,135
Additions	-	59,680	14,357	74,037
Balance at December 31, 2023	<u><u>\$ 184,972</u></u>	<u><u>142,316</u></u>	<u><u>40,884</u></u>	<u><u>368,172</u></u>
Balance at 1 January, 2022	\$ 184,972	15,717	20,266	220,955
Additions	-	66,919	6,261	73,180
Balance at December 31, 2022	<u><u>\$ 184,972</u></u>	<u><u>82,636</u></u>	<u><u>26,527</u></u>	<u><u>294,135</u></u>
<b>Accumulated amortization and impairment losses:</b>				
Balance at 1 January, 2023	\$ 183,365	38,734	22,974	245,073
Amortization for the year	-	74,057	6,662	80,719
Balance at December 31, 2023	<u><u>\$ 183,365</u></u>	<u><u>112,791</u></u>	<u><u>29,636</u></u>	<u><u>325,792</u></u>
Balance at 1 January, 2022	\$ -	9,671	15,725	25,396
Amortization for the year	-	29,063	7,249	36,312
Derecognized	183,365	-	-	183,365
Balance at December 31, 2022	<u><u>\$ 183,365</u></u>	<u><u>38,734</u></u>	<u><u>22,974</u></u>	<u><u>245,073</u></u>
<b>Carrying amount:</b>				
Balance at December 31, 2023	<u><u>\$ 1,607</u></u>	<u><u>29,525</u></u>	<u><u>11,248</u></u>	<u><u>42,380</u></u>
Balance at December 31, 2022	<u><u>\$ 1,607</u></u>	<u><u>43,902</u></u>	<u><u>3,553</u></u>	<u><u>49,062</u></u>
Balance at January 1, 2022	<u><u>\$ 184,972</u></u>	<u><u>6,046</u></u>	<u><u>4,541</u></u>	<u><u>195,559</u></u>

For 2023 and 2022, the amortization of intangible assets of the company amounted \$80,719 thousand and \$36,312 thousand, respectively, which was recorded under operating expenses in the statements of income.

(Continued)



# FITIPOWER INTEGRATED TECHNOLOGY INC.

## Notes to the Financial Statements

(ii) Impairment testing for goodwill

For the Company's impairment testing purposes, goodwill has been allocated to cash-generating units of the original Hongxin Semiconductor's products. The total carrying amounts of goodwill are as follow:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Original Hongxin Semiconductor's products cash-generating unit	<b>\$ 1,607</b>	<b>1,607</b>

The cash-generating unit of the original Hongxin Semiconductor's products is based on the revenue growth rate of 5% and 2% for 2023 and 2022, respectively, estimating the future cash flows generated from the sale of this products. As of December 31, 2023 and 2022, annual discount rates of 10.06% and 14.77%, respectively, were used for the calculation.

Due to rapid market changes, the revenue in 2022 was not as expected, thus the company commissioned an expert to issue an appraisal report. Based on the appraisal report, the company recognized an impairment loss of goodwill of \$183,365 thousand, which reduced the carrying amount of amortized goodwill of the former Hongxin Semiconductor's cash-generating unit, and the impairment loss was recorded under "Other gains and losses" in the statements of comprehensive income.

(k) Other non current assets

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Prepaid bonus	\$ 145,163	93,584
Guarantee deposits paid	330,250	916,945
	<b>\$ 475,413</b>	<b>1,010,529</b>

- (i) The Company provides special incentive bonuses to employees who meet certain criteria, and the payments are paid in a lump sum upon the signing of the contract. The contracted employee must commit to a period of continuous service, and if the employee fails to meet the commitment, the full amount of the special incentive shall be returned for any reason. The Company amortized the total prepaid bonuses as manufacturing and operating expenses over the contractual service period, and recognized manufacturing and operating expenses of \$120,972 thousand and \$122,035 thousand for the years ended December 31, 2023 and 2022, respectively.
- (ii) To ensure stable outsourced production capacity, the company has signed capacity guarantee contracts with suppliers. According to the agreement, they pay a deposit, which will be returned upon the fulfillment of the contract terms. This deposit is recorded under other non-current assets - refundable deposits. Additionally, considering market demand fluctuations and future capacity utilization, the company estimated related compensation losses and provision for liabilities based on capacity guarantee contracts. The amount of \$43,855 thousand and \$73,144 thousand were recorded under cost of goods sold and other payables for the years ended December 31, 2023 and 2022, respectively. In 2023, the company has recovered deposits of \$549,122 thousand according to the agreement.

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC.**  
**Notes to the Financial Statements**

(l) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current	<b>\$ 21,870</b>	<b>21,589</b>
Non-current financial assets	<b>\$ 30,270</b>	<b>6,865</b>

For the maturity analysis, please refer to note 6(u).

The amounts recognized in profit or loss was as follows:

	<b>2023</b>	<b>2023</b>
Interest on lease liabilities	<b>\$ 1,085</b>	<b>611</b>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<b>\$ 1,430</b>	<b>1,952</b>

The amounts recognized in the statement of cash flows were as follows:

	<b>2023</b>	<b>2022</b>
Total cash outflow for leases	<b>\$ 37,417</b>	<b>36,096</b>

The Company leases buildings for its office space. The leases of buildings for 1 to 5 years. Some leases provide for additional rent payments that are based on changes in local price indices.

(m) Employee benefits

Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation. The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$44,236 thousand and \$42,245 thousand for the years ended December 31, 2023 and 2022, respectively.

(n) Income taxes

(i) Income tax expense

The Company's income tax expenses are detailed as follows:

	<b>2023</b>	<b>2022</b>
Current tax expense	<b>\$ 429,683</b>	<b>618,812</b>
Deferred tax (benefit) expense	<b>(7,740)</b>	<b>62,755</b>
Income tax expense	<b>\$ 421,943</b>	<b>681,567</b>

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC.**  
**Notes to the Financial Statements**

The amount of income tax recognized in other comprehensive income for 2023 and 2022 was as follows:

	<u><b>2023</b></u>	<u><b>2022</b></u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation	\$ <u><b>2,471</b></u>	<u><b>3,864</b></u>

Reconciliation of income tax and profit before tax for 2023 and 2022 is as follows:

	<u><b>2023</b></u>	<u><b>2022</b></u>
Profit excluding income tax	\$ <u><b>2,572,156</b></u>	<u><b>3,751,873</b></u>
Income tax using the Company's domestic tax rate	\$ 514,431	750,375
Investment tax credit	(100,000)	(100,000)
Suspension of tax-exempt gain on disposal of domestic securities	(9,225)	(13,624)
Additional tax on undistributed earnings	46,295	82,821
Prior year's income tax adjustment	(48,736)	(56,610)
Investment income from domestic securities	-	(6,273)
Change in unrecognized temporary differences	13,705	18,809
Others	<u>5,473</u>	<u>6,069</u>
	<u><b>\$ 421,943</b></u>	<u><b>681,567</b></u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

Deferred tax assets have not been recognized in respect of the following items:

	<u><b>December 31, 2023</b></u>	<u><b>December 31, 2022</b></u>
Realized valuation losses on long-term investment	\$ 42,044	28,350
Provision for decline in value of inventories	<u>5,347</u>	<u>5,336</u>
	<u><b>\$ 47,391</b></u>	<u><b>33,686</b></u>

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC.**  
**Notes to the Financial Statements**

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2023 and 2022 were as follows:

	Unrealized losses in inventory	Exchange differences on translation of foreign financial	Unrealized foreign exchange loss	Others	Total
<b>Deferred Tax Assets:</b>					
Balance at January 1, 2023	\$ 16,008	6,778	-	6,785	29,571
Recognized in profit or loss	32	-	2,233	7,911	10,176
Recognized in other comprehensive income	-	(2,471)	-	-	(2,471)
Balance at December 31, 2023	<u>\$ 16,040</u>	<u>4,307</u>	<u>2,233</u>	<u>14,696</u>	<u>37,276</u>
Balance at January 1, 2022	\$ 9,399	10,642	-	5,272	25,313
Recognized in profit or loss	6,609	-	-	1,513	8,122
Recognized in other comprehensive income	-	(3,864)	-	-	(3,864)
Balance at December 31, 2022	<u>\$ 16,008</u>	<u>6,778</u>	<u>-</u>	<u>6,785</u>	<u>29,571</u>

	Unrealized foreign exchange gains	Valuation gains on financial assets	Investment Income	Total
Balance at January 1, 2023	\$ 14,795	-	56,456	71,251
Recognized in profit or loss	(14,795)	17,230	-	2,435
Balance at December 31, 2023	<u>\$ -</u>	<u>17,230</u>	<u>56,456</u>	<u>73,686</u>
Balance at January 1, 2022	\$ 373	-	-	373
Recognized in profit or loss	14,422	-	56,456	70,878
Balance at December 31, 2022	<u>\$ 14,795</u>	<u>-</u>	<u>56,456</u>	<u>71,251</u>

(iii) The income tax returns of the Company for the years through 2021 were assessed by the tax authorities.

(o) Capital and other equity

(i) Ordinary share

As of December 31, 2023 and 2022, the authorized capital of the Company amounted to \$3,000,000 thousand, divided into 121,254 thousand and 186,545 thousand ordinary shares, with par value of \$10 per share.

To adjust its capital structure and enhance the return on equity of shareholders, the Company, through a resolution at the shareholders' meeting on May 31, 2023, approved a capital reduction to refund share capital in the amount of \$652,908 thousand. This involved the cancellation of 65,291 thousand issued shares (including 129 thousand treasury shares), representing a capital reduction ratio of 35%. This cash capital reduction was approved by the Taiwan Stock Exchange Corporation on July 27, 2023, and the chairman set August 1, 2023, as

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# FITIPOWER INTEGRATED TECHNOLOGY INC.

## Notes to the Financial Statements

the record date for the capital reduction. The change has been duly registered, and the date for the distribution of the refunded share capital was September 18, 2023.

Reconciliation of shares (in thousand) outstanding for 2023 and 2022 was as follows:

	<b>2023</b>	<b>2022</b>
Balance on January 1	186,176	186,176
Capital reduction	(65,162)	-
Balance on December 31	<b>121,014</b>	<b>186,176</b>

### (ii) Capital surplus

The balances of capital surplus as of December 31, 2023 and 2022, were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Share capital	\$ 6,102,418	6,102,418
Treasury share transactions	2,508	535
Difference arising from subsidiary's share price and its carrying value	2,516,171	2,511,692
Other	450	450
	<b>\$ 8,621,547</b>	<b>8,615,095</b>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

### (iii) Retained earnings

The Company's Article of Incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits. Of the remaining balance, 10% is to be appropriated as legal reserve. However, when the legal reserve amounts to the authorized capital, this shall not apply. The special reserve is appropriated or reversed as required by law or by the competent authority. The Board of Directors shall prepare a proposal for the distribution of the remaining earnings, together with the undistributed earnings at the beginning of the period, and submit it to the shareholders' meeting for resolution on the distribution of dividends to shareholders.

The Company's dividend policy is to allocate no less than 20% of the distributable earnings to shareholders each year, taking into account the current and future development plans, the investment environment, capital requirements, domestic and international competition, as well as the interests of shareholders, among which, no less than 10% of the total dividends for the year shall be paid in cash.

(Continued)

# FITIPOWER INTEGRATED TECHNOLOGY INC.

## Notes to the Financial Statements

### 1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

### 2) Special reserve

In accordance with Ruling No. 1090150022 issued by the Financial Supervisory Commission on March 31, 2021, a portion of currentperiod earnings and undistributed priorperiod earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the currentperiod total net reduction of other shareholders' equity. Similarly, a portion of undistributed priorperiod earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

### 3) Earnings distribution

The annual Shareholders' meeting on May 31, 2023 and June 22, 2022, resolved to distribute earnings as dividends and as employee bonuses and directors' remuneration for 2022 and 2021 as follows:

	2022		2021	
	Amount per share	Total amount (in thousands)	Amount per share	Total amount (in thousands)
Dividends distributed to ordinary shareholders				
Cash	\$ 8.5	<u>1,582,499</u>	17.0	<u>3,164,997</u>

The dividends for 2022 were distributed on July 26, 2023.

The actual distribution of earnings for the years ended December 31, 2022 and 2021 was the same as the amount recognized in the financial statements, and no adjustment was required.

### (iv) Treasury shares

The Company purchased shares as treasury stock for the purpose of transferring to employees in accordance with the requirements under section 167(1) of the R.O.C. Company Act. The movements of treasury stock were as follow:

	2023		2022	
	Shares (in thousands)	Total amount	Shares (in thousands)	Total amount
Beginning balance	369	\$ 9,449	369	9,449
Capital reduction	(129)	(1,291)	-	-
Ending balance	<u>240</u>	<u>\$ 8,158</u>	<u>369</u>	<u>9,449</u>

(Continued)

# FITIPOWER INTEGRATED TECHNOLOGY INC.

## Notes to the Financial Statements

In 2020, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 369 thousand shares as treasury stock for the purpose of transferring to employees in accordance with the requirements. As of December 31, 2023 and 2022, a total of 240 thousand shares and 369 thousand shares were not yet cancelled, respectively.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and should not hold any shareholder rights before their transfer.

- (v) Other comprehensive income accumulated in reserves, net of tax

The movements of other equity were as follows:

	Exchange differences on translation of foreign financial statements	Unrealized losses from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2023	\$ (28,704)	-	(28,704)
Exchange differences on foreign operation	9,713	-	9,713
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(7,932)	(7,932)
Balance at December 31, 2023	<u>\$ (18,991)</u>	<u>(7,932)</u>	<u>(26,923)</u>
Balance at January 1, 2022	\$ (43,782)	-	(43,782)
Exchange differences on foreign operation	15,078	-	15,078
Balance at December 31, 2022	<u>\$ (28,704)</u>	<u>-</u>	<u>(28,704)</u>

- (p) Share based payment

- (i) On March 26, 2020, the Board of Directors resolved to repurchased 369 thousand shares as treasury shares to be transferred to employees.

In addition, the Board of Directors resolved on December 26, 2023, to implement the first treasury shares to employees plan. The treasury shares will be transferred to employees in installments, with the number of shares transferred totaling 50 thousand shares.

This plan adopts the Black-Scholes option pricing model, and the factors considered when estimating the fair value of the share-based compensation at the grant date are summarized as follows:

<u>Black Scholes model</u>	<u>2023 treasury stock transferred to employees</u>
Exercise price	\$ 34.02
Fair value at grant date	227~208.4
Expected life (days)	18~385
Volatility (%)	5.921%~64.696%
Risk-free interest rate	1.0795%

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC.**  
**Notes to the Financial Statements**

- (ii) Details on the treasury share transfer plan for 2023 are as follows:

	<b>2023</b>	
	<b>Weighted average exercise price (CNY/\$)</b>	<b>Number of options(in thousands)</b>
Outstanding at January 1	\$ -	-
Granted during the year	34.02	50
Exercised during the year	-	-
Outstanding at December 31		<u><b>50</b></u>
Exercisable at December 31		<u><b>50</b></u>

- (iii) Expense recognized in profit or loss

The Company incurred expenses and liabilities of share-based arrangements in 2023 and 2022 as follows:

	<b>2023</b>	<b>2022</b>
Expenses resulting from treasury shares transferred to employees	\$ <u><b>1,973</b></u>	<u><b>-</b></u>

- (q) Earnings per share

The Company's earnings per share for the years ended December 31, 2023 and 2022 were calculated as follows:

- (i) Basic earnings per share

	<b>2023</b>	<b>2022</b>
Profit attributable to ordinary shareholders of the Company	\$ <u><b>2,150,213</b></u>	<u><b>3,070,306</b></u>
Weighted average number of ordinary shares	<u><b>161,741</b></u>	<u><b>186,176</b></u>
Earnings per share	\$ <u><b>13.29</b></u>	<u><b>16.49</b></u>

- (ii) Diluted earnings per share

	<b>2023</b>	<b>2022</b>
Profit attributable to ordinary shareholders of the Company	\$ <u><b>2,150,213</b></u>	<u><b>3,070,306</b></u>
Weighted average number of ordinary shares	161,741	186,176
Effect of dilutive potential ordinary shares:		
— employee share bonus and treasury shares transferred to employees	728	2,117
Weighted average number of ordinary shares (diluted) at December 31	<u><b>162,469</b></u>	<u><b>188,293</b></u>
Diluted earnings per share	\$ <u><b>13.23</b></u>	<u><b>16.31</b></u>

(Continued)



**FITIPOWER INTEGRATED TECHNOLOGY INC.**  
**Notes to the Financial Statements**

(r) Revenue from contracts with customers

(i) Details of revenue

The details of revenue were as follows:

	<u>2023</u>	<u>2022</u>
Sale of goods	\$ 10,964,158	14,388,602
Service revenue	<u>12,520</u>	<u>17,149</u>
	<u><b>\$ 10,976,678</b></u>	<u><b>14,405,751</b></u>

(ii) Disaggregation of revenue

	<u>2023</u>	<u>2022</u>
Primary geographical markets:		
Taiwan	\$ 1,608,485	2,703,649
Mainland China	6,883,549	9,245,386
Hong Kong	2,418,545	2,410,356
Japan	4,368	15,157
Other	<u>61,731</u>	<u>31,203</u>
	<u><b>\$ 10,976,678</b></u>	<u><b>14,405,751</b></u>
Major products:		
Display driver IC	\$ 7,826,019	10,448,837
Power management IC	1,841,670	2,507,005
Service revenue	12,520	17,149
Other	<u>1,296,469</u>	<u>1,432,760</u>
	<u><b>\$ 10,976,678</b></u>	<u><b>14,405,751</b></u>

(iii) Contract balances

For details on accounts receivable and allowance for impairment, please refer to note 6(d).

The initial balance of contract liabilities on January 1, 2023 and 2022, was recognized as income for the years ended December 31, 2023 and 2022, amounting to \$90,110 thousand and \$5,884 thousand, respectively. The change in contract liabilities mainly resulted from the difference in the timing between when the company delivered goods to customers to satisfy the performance obligations and when the customers made payments.

(s) Employee compensation and directors' and remuneration

According to the Company's Articles of Incorporation, once the Company has annual profit, it should appropriate no less than 5% of the profit as employee compensation and less than 1% as directors' and supervisors' compensation. However, if the Company has accumulated deficits, the profit should be reserved in advance to offset such deficits. The foregoing employee compensation may be in the form of shares or cash and may be paid to employees of a controlled or subordinate company who satisfy certain conditions. The compensation of the directors mentioned above shall be

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# FITIPOWER INTEGRATED TECHNOLOGY INC.

## Notes to the Financial Statements

paid in cash only. The first two items shall be resolved by the Board of Directors and reported to the shareholders' meeting.

For 2023 and 2022, the Company made no provision for directors' remuneration, the Company estimated its employee compensation amounting to \$136,132 thousand and \$201,488 thousand, respectively. The employee compensation was calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These bonuses and compensation were expensed under operating costs or operating expenses during 2023 and 2022. Related information would be available at the Market Observation Post System website. There were no differences between the distribution amounts of bonuses and compensation decided by the Board mentioned above and the estimated amounts of the Company's Financial Statements for 2023 and 2022.

(t) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	\$ 4,588	10,554
Interest income on lease receivable	886	1,495
Other interest income	<u>65</u>	<u>37</u>
Total interest income	<u><u>\$ 5,539</u></u>	<u><u>12,086</u></u>

(ii) Other income

	<u>2023</u>	<u>2022</u>
Government grants	\$ 2,874	4,309
Dividend income	218	-
Rent income	8,996	-
Other	<u>11,038</u>	<u>6,067</u>
Total other income	<u><u>\$ 23,126</u></u>	<u><u>10,376</u></u>

(iii) Other gains and losses

	<u>2023</u>	<u>2022</u>
Foreign exchange gains	\$ 31,296	298,177
Gains (Losses) on financial assets (liabilities) at fair value through profit or loss	114,520	(94,503)
Impairments loss on non-financial assets	(8,544)	(183,365)
Other	<u>(314)</u>	<u>(47,336)</u>
	<u><u>\$ 136,958</u></u>	<u><u>(27,027)</u></u>

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# FITIPOWER INTEGRATED TECHNOLOGY INC.

## Notes to the Financial Statements

### (iv) Finance costs

	2023	2022
Interest expense	\$ <u>(122)</u>	<u>(12,145)</u>

### (u) Financial instruments

#### (i) Credit risk

##### 1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

##### 2) Concentration of credit risk

Implicit credit risk of the Company is inherent in its cash and trade receivables. The cash is deposited in different financial institutions. The Company manages the credit risk exposure with each of these financial institutions and believes that cash do not have a significant credit risk concentration. The major customers of the Company are centralized in the high tech computer industry. To minimize credit risk, the Company periodically evaluates the Company's financial positions and the possibility of collecting trade receivables. Besides, the Company monitors and reviews the recoverable amount of the trade receivables to ensure the uncollectible amount are recognized appropriately as impairment loss. As of December 31, 2023 and 2022, 72%, respectively, of trade receivables were five major customers. Thus, credit risk is significantly centralized.

##### 3) Receivables and debt securities

For credit risk exposure in respect of notes and accounts receivable, please refer to note 6(d). Other financial assets at amortized cost, including time deposits with maturities more than three months and other receivables, are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(f).

#### (ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities and including estimated interest payments.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
<b>December 31, 2023</b>							
Nonderivative financial liabilities							
Notes and accounts payable	\$ 1,086,347	1,086,347	1,086,347	-	-	-	-
Other payables	642,673	642,673	642,673	-	-	-	-
Lease liabilities	52,140	53,728	13,343	9,267	11,198	19,920	-
Deposits Received	13,050	13,050	13,050	-	-	-	-
Total	\$ <u>1,794,210</u>	<u>1,795,798</u>	<u>1,755,413</u>	<u>9,267</u>	<u>11,198</u>	<u>19,920</u>	<u>-</u>

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**FITIPOWER INTEGRATED TECHNOLOGY INC.**  
**Notes to the Financial Statements**

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2022</b>							
Nonderivative financial liabilities							
Notes and accounts payable	\$ 1,432,968	1,432,968	1,432,968	-	-	-	-
Other payables	770,175	770,175	770,175	-	-	-	-
Lease liabilities	28,454	28,672	11,247	10,528	6,897	-	-
Deposits Received	768	768	768	-	-	-	-
Subtotal	<u>2,232,365</u>	<u>2,232,583</u>	<u>2,215,158</u>	<u>10,528</u>	<u>6,897</u>	<u>-</u>	<u>-</u>
Nonderivative financial liabilities							
Currency swaps:							
Outflow	1,176	1,011,101	1,011,101	-	-	-	-
Inflow	-	(1,009,925)	(1,009,925)	-	-	-	-
Carrying values	<u>1,176</u>	<u>1,176</u>	<u>1,176</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Forward exchange contracts:							
Inflow	130	130	130	-	-	-	-
Carrying values	<u>130</u>	<u>130</u>	<u>130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>1,306</u>	<u>1,306</u>	<u>1,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,233,671</u>	<u>2,233,889</u>	<u>2,216,464</u>	<u>10,528</u>	<u>6,897</u>	<u>-</u>	<u>-</u>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk were as follows:

	<u>December 31, 2023</u>			<u>December 31, 2022</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<b>Financial assets</b>						
<u>Monetary items</u>						
USD	\$ 82,887	30.643	2,539,878	118,883	30.707	3,650,581
<u>Monetary items</u>						
	10,700	28.252	302,296	10,700	28.252	302,296
<b>Financial liabilities</b>						
<u>Non-Monetary items</u>						
USD	66,413	30.657	2,036,056	89,083	30.682	2,733,208

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the retranslation of foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and trade and other payables that are denominated in foreign currency. A strengthening (weakening) of 5% of the NTD against the USD as of December 31, 2023 and 2022 would have increased (decreased) the net profit after tax by \$20,153 thousand and \$36,695 thousand for the years ended December 31, 2023 and 2022, respectively, with all other variables remaining constant. The analysis is performed on the same basis in 2023 and 2022.

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## FITIPOWER INTEGRATED TECHNOLOGY INC.

### Notes to the Financial Statements

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. The foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$31,296 thousand and \$298,177 thousand for the years ended December 31, 2023 and 2022, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and nonderivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

The Company has fixed-interest-rate assets for both 2023 and 2022, and therefore no related interest rate exposure exists.

(v) Other market price risk

For the years ended December 31, 2023 and 2022, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	December 31, 2023		December 31, 2022	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
<b>Prices of securities at the reporting date</b>				
<b>Increasing 5%</b>	<u>\$ 573</u>	<u>402,612</u>	<u>-</u>	<u>365,619</u>
<b>Decreasing 5%</b>	<u>\$ (573)</u>	<u>(402,612)</u>	<u>-</u>	<u>(365,619)</u>

(vi) Fair value of financial instruments

1) Fair value hierarchy

The management of the Company believes the carrying amount of receivables, financial assets measured at amortized cost, and financial liabilities measured at amortized cost are reasonably closed to its fair value in the current period. Also, a disclosure of the fair value information for lease liabilities is not required under regulations. The Company valued its financial assets measured at fair value through profit or loss based on recurring fair value measurement method. The details are as follows:

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**FITIPOWER INTEGRATED TECHNOLOGY INC.**  
**Notes to the Financial Statements**

		<b>December 31, 2023</b>			
		<b>Fair Value</b>			
	<b>Book Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss	\$ 10,077,096	10,065,300	11,796	-	10,077,096
Financial assets at fair value through other comprehensive income					
Stocks in listed companies	14,330	14,330	-	-	14,330
Total	<u>\$ 10,091,426</u>	<u>10,079,630</u>	<u>11,796</u>	<u>-</u>	<u>10,091,426</u>
		<b>December 31, 2022</b>			
		<b>Fair Value</b>			
	<b>Book Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through other comprehensive income	<u>\$ 9,141,040</u>	<u>9,140,473</u>	<u>567</u>	<u>-</u>	<u>9,141,040</u>
Financial liabilities at fair value through other comprehensive income	<u>\$ 1,306</u>	<u>1,306</u>	<u>-</u>	<u>-</u>	<u>1,306</u>

Note: The book amount is a reasonable approximation of fair value and there is no need to disclose the fair value.

2) Valuation techniques for financial instruments measured at fair value

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

If the Company's financial instruments do not have an active market, their fair value classifications are determined to be equity instruments with no observable prices, and their fair values are estimated by comparing with competitors whose market prices are available.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

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**FITIPOWER INTEGRATED TECHNOLOGY INC.**  
**Notes to the Financial Statements**

(v) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying financial statements.

(ii) Structure of risk management

The Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. The Company's finance department provides business services to meet other departments' requests and negotiate all necessary transactions on financial markets. In addition, all significant financial activities have to be examined and approved by the Board of Directors. The Company's financial activities must be in accordance with the overall financial risk management, segregation of duties, and other related policies of the Company. The Company's audit committee continues to review the amount of the risk exposure in accordance with the Company's policy and the risk management policies and procedures. The committee reports regularly to the Board of Directors on its activities.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

1) Trade and other receivables

The finance department has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from the finance department. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

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## FITIPOWER INTEGRATED TECHNOLOGY INC.

### Notes to the Financial Statements

Trade and other receivables mainly relate to a wide range of customers from different industries and geographic regions. To minimize the credit risk, the Company continues to assess the financial condition and credit risk of its customers. Allowance for doubtful accounts is recognized if necessary. These major customers have a good track record of profitability and creditworthiness, and the Company has not suffered significant credit risk losses due to these major customers during the reporting period.

The account of allowance for doubtful receivables was created by the Company in order to reflect the estimate of the losses had been incurred on accounts receivable and other receivables. The abovementioned account mainly consists of specific losses, relating to significant risk, which were measured individually and other unidentified losses which were measured by grouping similar assets together. The measurement of losses by grouping similar assets together was based on the statistical data of payment history of similar financial assets.

#### 2) Investments

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Company's finance department. As the Company deals with the banks and other external parties with good credit standing financial institutions, the management believes that the Company do not have any compliance issues, and therefore, there is no significant credit risk.

#### (iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2023 and 2022, the Company's unused credit line were amounted to \$4,416,373 thousand and \$4,755,175 thousand, respectively.

#### (v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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## FITIPOWER INTEGRATED TECHNOLOGY INC.

### Notes to the Financial Statements

#### 1) Currency risk

The Company is exposed to currency risk on sales and purchase that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily US Dollars (USD). Natural hedge was adopted to minimize the Company's currency risk. The Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

#### 2) Interest rate risk

Interest risk is the risk that changes in market interest rates will affect the fair value of the Company's financial instruments. For detailed information of interest rate risk exposure, please refer to the liquidity risk management of the note.

#### 3) Other market price risk

The Company is exposed to equity price risk due to the investments in non-equity securities. This is a strategic investment and is not held for trading.

#### (w) Capital management

The Company meets its objectives to manage its capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders and interest of other related parties and to maintain an optimal capital structure to reduce the cost of capital.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence, and to sustain future development of the business. Capital consists of all equity (i.e. ordinary shares, capital surplus, retained earnings and other equity) and net liabilities of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

After being approved by the Board of Directors, the Company purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily, the shares are intended to be used for issuing shares under the Company's share option program. Buyandsell decisions are made on a specific transaction basis by the Board of Directors.

The Company's debttoequity ratios at the end of the reporting period as of December 31, 2023 and 2022 were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Total liabilities	\$ 2,421,082	3,221,758
Less: cash and cash equivalents	(312,496)	(463,764)
Net debt	<b>\$ 2,108,586</b>	<b>2,757,994</b>
Total equity	<b>\$ 17,319,043</b>	<b>17,394,713</b>
Debt-to-equity ratio	<b>12.17%</b>	<b>15.86%</b>

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC.**  
**Notes to the Financial Statements**

As of 31 December 2023, the Company's capital management strategy is consistent with the prior year as of 31 December 2022.

(x) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2023 and 2022, were as follows:

(i) For right-of-use assets under leases, please refer to note 6(i)

(ii) Reconciliation of liabilities arising from financing activities was as follows:

			<b>Non-cash changes</b>		
	<b>January 1, 2023</b>	<b>Cash flows</b>	<b>Foreign exchange movement</b>	<b>Other</b>	<b>December 31, 2023</b>
Lease liabilities	\$ 28,454	(34,902)	(39)	58,627	52,140
Guarantee deposits received	768	12,282	-	-	13,050
Total liabilities from financing activities	<u>\$ 29,222</u>	<u>(22,620)</u>	<u>(39)</u>	<u>58,627</u>	<u>65,190</u>

			<b>Non-cash changes</b>		
	<b>January 1, 2022</b>	<b>Cash flows</b>	<b>Foreign exchange movement</b>	<b>Other</b>	<b>December 31, 2022</b>
Short-term borrowings	\$ 777,808	(777,808)	-	-	-
Lease liabilities	56,716	(33,533)	13	5,258	28,454
Guarantee deposits received	110,720	(109,952)	-	-	768
Total liabilities from financing activities	<u>\$ 945,244</u>	<u>(921,293)</u>	<u>13</u>	<u>5,258</u>	<u>29,222</u>

**(7) Related-party transactions**

(a) Names and relationship with the Company

The followings are entities that have had transactions with related party during the periods covered in the parent company only financial statements.

<b>Name of related party</b>	<b>Relationship with the Company</b>
Hon Hai Precision Industry Co., Ltd. (Hon Hai Precision)	The entity with significant influence over the Company(note)
Visual Sensing Technology Corp. (Visual Sensing Technology)	A subsidiary
Fitipower Environmental Sustainability Foundation (Fitipower Foundation)	Other related parties
Hongfutai Precision Electronics (Yantai) Co., Ltd. (Hongfutai (Yantai))	Other related parties(note)
Foxconn Interconnect Technology Limited Taiwan Branch (Cayman)	Other related parties(note)
Hongfujin Precision Industry (Wuhan) Co., Ltd.	Other related parties(note)
Fulina Ambit (Shanghai) Microsystems Co., Ltd.	Other related parties(note)
Shenzhen Fu Tai Hong Precision Industrial Co., Ltd.	Other related parties(note)
Shenzhen Fulian Fugui Precision Industry Co., Ltd.	Other related parties(note)
Hongfujin Precision Electronics (Chongqing) Co., Ltd.	Other related parties(note)

(Continued)

# FITIPOWER INTEGRATED TECHNOLOGY INC.

## Notes to the Financial Statements

Name of related party	Relationship with the Company
Hongfujin Precision Electrons (Yantai) Co., Ltd.	Other related parties(note)
NANNING FULIAN FUGUI PRECISION INDUSTRY CO., LTD.	Other related parties(note)
Kunshan Fuchengke Precision Electronical Co., Ltd. (Kunshan Fuchengke)	Other related parties(note)
Socle Technology Corp. (Socle Technology)	Other related parties(note)
CLOUD NETWORK TECHNOLOGY SINGAPORE(CLOUD NETWORK)	Other related parties(note)
FIH (HONG KONG) LIMITED	Other related parties(note)
Hongfujin Precision Industry (Shenzhen) Co., Ltd. (Renamed Foxconn Technology Group Co., Ltd. in December 2022.)	Other related parties(note)
ECMMS PRECISION SINGAPORE PTE.LTD.	Other related parties(note)
Chiun Mai Communication Systems, Inc.	Other related parties(note)
Futaijing Precision Electron (Beijing) Co., Ltd.	Other related parties(note)
FORTUNE BAY TECHNOLOGY PTE. LTD.(FORTUNE BAY)	Other related parties(note)

Note: On June 15, 2023, Hon Hai Precision resigned as a corporate director of the Company, losing significant influence over the Company. Henceforth, Foxconn Technology Group and its subsidiaries are no longer considered related parties of this group. The following discloses related-party transaction amounts between the company and Hon Hai Technology Group. for the periods from January 1 to June 30, 2023, and for the year ended December 31, 2022.

(b) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Company to related parties were as follows:

	2023	2022
Hon Hai Precision	\$ 311	2,528
FIH(HONG KONG)	21,243	60,003
Kunshan Fuchengke	8,402	38,361
CLOUD NETWORK	17,235	82,693
FORTUNE BAY	25,238	-
Other related parties:	13,037	81,500
	<u>\$ 85,466</u>	<u>265,085</u>

Except for sales to the Other related parties, the selling price for related parties approximated the market price. The credit terms ranged from 90 day, while the credit term for routine sales transactions was within a month. Amounts receivable from related parties were uncollateralized.

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC.**  
**Notes to the Financial Statements**

(ii) Receivables from related parties

The receivables from related parties were as follows:

<b>Account</b>	<b>Relationship</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Trade receivables	Hon Hai Precision	\$ -	1,003
Trade receivables	Hongfutai (Yentai)	-	8
Trade receivables	Kunshan Fuchengke	-	9,866
Trade receivables	CLOUD NETWORK	-	28,462
Trade receivables	FIH(HONG KONG)	-	24,131
Other receivables	Other related parties	-	26,025
Other receivables	Subsidiary-Visual Sensing Technology	144	-
		<u><u>\$ 144</u></u>	<u><u>89,495</u></u>

(iii) Purchases

The amounts of significant purchases by the Company from related parties were as follows:

	<b>2023</b>	<b>2022</b>
Other related parties-Socle Technology	\$ -	31
Subsidiary-Visual Sensing Technology	1,519	-
	<u><u>\$ 1,519</u></u>	<u><u>31</u></u>

Except when there are no comparable transactions available, and the transaction terms are determined through negotiations between the two parties, the remaining purchases from related parties are made by the company based on the current price. The payment terms ranged from 30 and 45 day, which were no different from the payment terms given by other vendors.

(iv) Payables to related parties

The payables to related parties were as follows:

<b>Account</b>	<b>Relationship</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Trade payables	Other related parties-Socle Technology	\$ -	32

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC.**  
**Notes to the Financial Statements**

(v) Property transactions

1) Acquisitions of other assets

The purchases price of property, plant and equipment purchased from related parties are summarized as follows:

<b>Account</b>	<b>Relationship</b>	<b>2023</b>	<b>2022</b>
Subsidiaries – Visual Sensing Technology	Machinery and equipment	\$ 1,257	-
Subsidiaries – Visual Sensing Technology	Office equipment	762	-
Subsidiaries – Visual Sensing Technology	Leasehold improvements	105	-
Subsidiaries – Visual Sensing Technology	Technical Know how	568	-
Subsidiaries – Visual Sensing Technology	Prepayment for purchases	761	-
		<u><u>\$ 3,453</u></u>	<u><u>-</u></u>

(vi) Rent Income

The Company and its subsidiary Visual Sensing Technology Corp. have signed an office rent sharing agreement, whereby the subsidiary leases office space from the Company. For the year ended 2023, Visual Sensing Technology Corp. made the payment of rent and related advances in accordance with the contract of \$2,915 thousand and \$ \$6,081 thousand, respectively. This contract was terminated in August 2023. All related rental and advance expenses under the aforementioned contract have been received.

(vii) Donation expenses

As of December 31, 2023 and 2022, the company donated \$3,000 thousand and \$20,000 thousand, respectively, to the Fitipower Foundation, which was recorded under operating expenses.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$ 28,646	47,616
Post-employment benefits	108	108
	<u><u>\$ 28,754</u></u>	<u><u>47,724</u></u>

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC.**  
**Notes to the Financial Statements**

**(8) Pledged assets:**None

**(9) Commitments and contingencies:**

As of December 31, 2023 and 2022, the refundable notes payable for short- term borrowings amounted to \$4,754,963 thousand and \$4,755,175 thousand, respectively.

**(10) Losses Due to Major Disasters:**None

**(11) Subsequent Events:**

On February 27, 2024, the Company passed the resolution of the Board of Directors to increase the cash capital of Jadeite Investment Inc., with the expected capital increase amounting to \$500,000 thousand.

**(12) Other:**

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	For the year ended December 31					
		2023			2022		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		45,111	1,325,484	1,370,595	50,737	1,522,216	1,572,953
Labor and health insurance		3,264	77,538	80,802	3,331	77,599	80,930
Pension		1,410	42,826	44,236	1,362	40,883	42,245
Remuneration of directors		-	1,871	1,871	-	1,107	1,107
Others		2,499	51,475	53,974	1,849	36,554	38,403
Depreciation		30,954	197,144	228,098	22,860	153,172	176,032
Amortization		-	80,719	80,719	-	36,312	36,312

For the years ended December 31, 2023 and 2022, the total numbers of employees and employee benefits were as follows:

	2023	2022
Number of employees	<u>575</u>	<u>580</u>
Number of directors who were not employees	<u>4</u>	<u>5</u>
The average employee benefits	\$ <u>2,714</u>	\$ <u>3,017</u>
The average salaries and wages	\$ <u>2,400</u>	\$ <u>2,736</u>
The adjustment rate of average employee salaries	<u>(12.28)%</u>	<u>2.40 %</u>
Supervisors' remuneration	\$ <u>-</u>	\$ <u>-</u>

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC.**  
**Notes to the Financial Statements**

The Company's compensation policy (including directors, supervisors, managers and employees) is as follows:

- (i) Directors' compensation: The compensation is paid in accordance with the signed appointment contract.
- (ii) Employee and manager salaries: According to the Company's employment, payroll, and appraisal procedures.
- (iii) Year-end bonuses for employees and managers: Two months based on their annual base salary, and the number of days of service calculated on a pro rata basis for those who have less than one year of service.

(Continued)

## FITIPOWER INTEGRATED TECHNOLOGY INC.

### Notes to the Financial Statements

#### (13) Other disclosures:

##### (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Fitipower Integrated Technology Inc.	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	240,930	3,359,162	-	3,359,162	
Fitipower Integrated Technology Inc.	Fubon Chi-Hsiang Money Market Fund	-	Current financial assets at fair value through profit or loss	9,347	150,522	-	150,522	
Fitipower Integrated Technology Inc.	Jih Sun Money Market Fund	-	Current financial assets at fair value through profit or loss	87,100	1,328,665	-	1,328,665	
Fitipower Integrated Technology Inc.	FSITC Taiwan Money Market	-	Current financial assets at fair value through profit or loss	49,209	774,479	-	774,479	
Fitipower Integrated Technology Inc.	Union Money Market Fund	-	Current financial assets at fair value through profit or loss	29,921	406,177	-	406,177	
Fitipower Integrated Technology Inc.	Allianz Global Investors Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	10,409	134,162	-	134,162	
Fitipower Integrated Technology Inc.	Sinopac TWD Money Market Fund	-	Current financial assets at fair value through profit or loss	113,808	1,627,570	-	1,627,570	
Fitipower Integrated Technology Inc.	Hua Nan Phoenix Money Market Fund	-	Current financial assets at fair value through profit or loss	120,192	2,010,161	-	2,010,161	
Fitipower Integrated Technology Inc.	Shin Kong Chi-Shin Money-Market Fund		Current financial assets at fair value through profit or loss	11,210	178,263	-	178,263	
Fitipower Integrated Technology Inc.	Yuanta De- Bao Money Market Fund		Current financial assets at fair value through profit or loss	7,786	96,139	-	96,139	
Fitipower Integrated Technology Inc.	InnoCare Optoelectronics Corp.		Non-current financial assets at fair value through other comprehensive income	168	14,330	0.42 %	14,330	
Jadeite Investment Inc.	Taishin 1699 Money Market Fund		Current financial assets at fair value through profit or loss	13,532	188,676	-	188,676	
Jadeite Investment Inc.	Union Money Market Fund		Current financial assets at fair value through profit or loss	10,817	146,837	-	146,837	
Jadeite Investment Inc.	Jih Sun Money Market Fund		Current financial assets at fair value through profit or loss	11,190	170,705	-	170,705	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party(note)	Relationship with the company(note)	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares/Units (thousands)	Amount	Shares/Units (thousands)	Amount	Shares/Units (thousands)	Price	Cost	Gain (loss) on disposal	Shares/Units (thousands)	Amount
Fitipower Integrated Technology Inc.	Beneficiary certification - Jih Sun Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	110,822	1,680,200	23,722	360,000	359,062	938	87,100	1,328,665
Fitipower Integrated Technology Inc.	Beneficiary certification - FSITC Taiwan Money Market	Current financial assets at fair value through profit or loss	-	-	-	-	54,309	852,600	5,100	80,000	79,781	219	49,209	774,479

(Continued)



## FITIPOWER INTEGRATED TECHNOLOGY INC.

### Notes to the Financial Statements

Name of company	Category and name of security	Account name	Name of counter-party(note)	Relationship with the company(note)	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares/Units (thousands)	Amount	Shares/Units (thousands)	Amount	Shares/Units (thousands)	Price	Cost	Gain (loss) on disposal	Shares/Units (thousands)	Amount
Fitipower Integrated Technology Inc.	Beneficiary certification - Union Money Market Fund	Current financial assets at fair value through profit or loss	-	-	118,404	1,588,489	39,086	528,000	127,570	1,716,566	1,711,157	5,408	29,921	406,177
Fitipower Integrated Technology Inc.	Beneficiary certification - Allianz Global Investors Taiwan Money Market Fund	Current financial assets at fair value through profit or loss	-	-	71,815	914,582	26,719	342,600	88,124	1,129,915	1,122,126	7,790	10,409	134,162
Fitipower Integrated Technology Inc.	Beneficiary certification - Hua Nan Phoenix Money Market Fund	Current financial assets at fair value through profit or loss	-	-	51,883	857,077	230,652	3,826,733	162,342	2,695,233	2,685,621	9,612	120,192	2,010,161
Elan Microelectronics Corporation	Beneficiary certification - Taishin Ta-Chong Money Market Fund	Current financial assets at fair value through profit or loss	-	-	74,312	1,072,410	12,442	180,000	86,754	1,261,985	1,251,000	10,985	-	-
Fitipower Integrated Technology Inc.	Beneficiary certification - Yuanta Wan Tai Money Market Fund	Current financial assets at fair value through profit or loss	-	-	32,871	505,204	3,866	59,500	36,737	567,715	564,500	3,215	-	-
Fitipower Integrated Technology Inc.	Beneficiary certification - Yuanta De-Li Money Market Fund	Current financial assets at fair value through profit or loss	-	-	54,993	911,205	1,507	25,000	56,500	940,071	935,000	5,071	-	-
Fitipower Integrated Technology Inc.	Beneficiary certification - SinoPac TWD Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	124,357	1,764,900	10,549	150,000	149,072	928	113,808	1,627,570
Fitipower Integrated Technology Inc.	Beneficiary certification - Fubon Chi-Hsiang Money Market Fund	Beneficiary certification - Fubon Chi-Hsiang Money Market Fund	-	-	-	-	51,443	823,500	42,096	675,025	673,500	1,525	9,347	150,522

Note : Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leaves the columns blank.

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Hefei Jadard Technology Co., Ltd.	Jadard Technology Limited Taiwan Branch	Associates	Sales	500,809	4.56 %	O/A 120 days	-	-	269,563	13.32%	
Hefei Jadard Technology Co., Ltd.	Jadard Technology Limited	Associates	Sales	430,693	3.92 %	O/A 120 days	-		16,204	0.80%	

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period(noe 1)	Allowance for bad debts
					Amount	Action taken		
Hefei Jadard Technology Co., Ltd.	Jadard Technology Limited	Associate	269,563	2.50	-	-	119,403	-

Note : The amounts received from related parties as of February 20, 2024.

(Continued)

## FITIPOWER INTEGRATED TECHNOLOGY INC.

### Notes to the Financial Statements

(ix) Trading in derivative instruments: Please refer to notes 6(b).

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2023 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value			
Fitipower Integrated Technology Inc.	Trade Logic Limited	BVI	Investment	302,296	302,296	30	100.00 %	4,566,493	269,496	269,496	note 1
Trade Logic Limited	Ever Harvest Limited	Samoa	Investment	302,296	302,296	10,000	100.00 %	4,566,493	269,496	269,496	note 1
Fitipower Integrated Technology Inc.	Visual Sensing Technology	Hsin Chu, Taiwan	IC design	260,000	260,000	23,000	89.16 %	31,745	(79,896)	(66,070)	note 1、2
JADARD TECHNOLOGY INC.	Jadard Technology Limited	Hong Kong	General trade	270,264	270,264	9,200	100.00 %	225,779	(209,398)	(209,398)	note 1
Fitipower Integrated Technology Inc.	Jadeite Investment Inc.	Tainan, Taiwan	Investment	500,000	500,000	50,000	100.00 %	506,333	6,146	6,146	note 1

Note 1: Investments in subsidiaries the Company has control.

Note 2: In October 2023, Visual Sensing Technology Corp. was dissolved but has not yet been liquidated.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (note1)	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (note2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
JADARD TECHNOLOGY INC.	IC design	1,790,797 (note 3)	( 1 )	302,296	-	-	302,296	493,517	54.57%	269,496	4,566,493	-
Hefei Jadard Technology Co., Ltd.	Supply chain management	224,523 (note 4)	( 2 )	-	-	-	-	35,516	54.57%	19,389	420,984	-
Xiamen Jadard Technology Co., Ltd.(note 6)	Supply chain management	4,344 (note 5)	( 2 )	-	-	-	-	(81)	-%	(44)	-	-

Note 1 : Method of investment:

- (1) Indirect investment in Mainland China through a holding company established in other countries (Trade Logic Limited and Ever Harvest Limited)
- (2) The investment method refers to a direct investment by a mainland company in a mainland company.

Note 2 : The investment gains (losses) were recognized in the financial statements audited by other auditors.

Note 3: The paid-in capital was CNY 409,021 thousand, which was translated into NT 1,790,797 thousand at the exchange rate at the time of investment.

Note 4: The paid-in capital was CNY 50,000 thousand, which was converted to NT 224,523 thousand at the exchange rate at the time of investment.

Note 5: The paid-in capital was CNY 1,000 thousand, which was converted to NT 4,344 thousand at the exchange rate at the time of investment.

Note 6: In December 2023, Xiamen Jadard Technology Co., Ltd. was dissolved and liquidated.

(ii) Limitation on investment in Mainland China:

(In Thousands of New Taiwan Dollars)

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
302,296	302,296	10,391,426

Note: The investment limit was calculated on the official document No. 09704604680 announced by the MOEAIC on August 29, 2008.

(iii) Significant transactions: None

(Continued)

**FITIPOWER INTEGRATED TECHNOLOGY INC.**  
**Notes to the Financial Statements**

(d) Major shareholders:

<b>Shareholder's Name</b>	<b>Shareholding</b>	<b>Shares</b>	<b>Percentage</b>
Hyield Venture Capital Co., Ltd.		8,589,089	7.08 %
Bao Shin International Investments Co., Ltd.		6,851,000	5.65 %
Hon Chi International Investment Co., Ltd.		6,565,024	5.41 %

**(14) Segment information:**

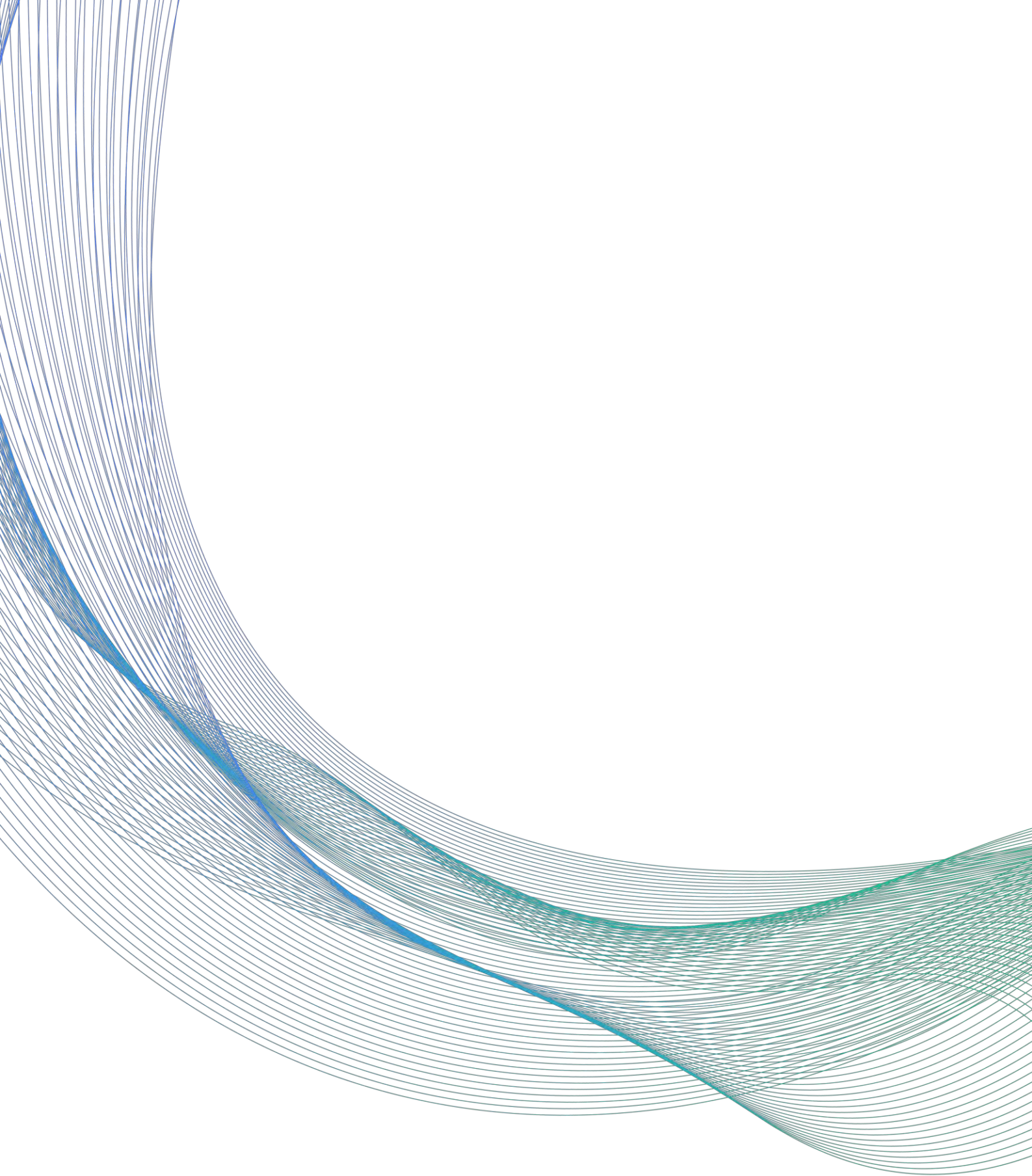
Please refer to the consolidated financial statements of 2023.

Fitipower Integrated Technology Inc.



LIN, YUNG-CHIEH, Chairman and CEO





**fitipower**