

**Fitipower Integrated Technology Inc.
and Subsidiaries**

**Consolidated Financial Statements With
Independent Auditors' Review Report**

For the Six Months Ended June 30, 2022 and 2021

Address: 3F, No.6-8, Duxing Rd., Hsinchu Science Park, Hsinchu City
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Independent Auditors' Review Report

To the Board of Directors of
Fitipower Integrated Technology Inc.

Introduction

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

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Above has been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2022 and 2021, and of its consolidated financial performance for the three months and six months ended June 30, 2022 and 2021, as well as its consolidated cash flows for the six months ended June 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Chou, Pao-Lian and Mei, Yuan-Chen.

KPMG

Taipei, Taiwan (Republic of China)

August 3, 2022

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' review 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' review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of June 30, 2022 and 2021

Fitipower Integrated Technology Inc. and Subsidiaries

Consolidated Balance Sheet

June 30, 2022, December 31, 2021, and June 30, 2021

Unit: NT\$ thousands

Assets		June 30, 2022		Dec. 31, 2021		June 30, 2021				Liabilities and equity		June 30, 2022		Dec. 31, 2021		June 30, 2021	
		Amount	%	Amount	%	Amount	%					Amount	%	Amount	%	Amount	%
Current assets:										Current liabilities:							
1100	Cash and cash equivalents (Note 6 (1))	\$ 4,915,556	19	7,042,205	29	3,294,790	21	2100	Current borrowings (Note 6 (10))	\$ 1,529,630	6	777,808	3	2,582,622	16		
1110	Current financial assets at fair value through profit or loss (Note 6 (2))	8,689,121	34	4,888,006	20	2,730,749	17	2120	Current financial liabilities at fair value through profit or loss (Note 6 (2))	711	-	-	-	-	-		
1136	Current financial assets at amortized cost (Note 6 (1) and Note 8)	5,200	-	560,200	2	65,200	-	2130	Current contract liabilities	69,412	-	84,454	-	90,093	1		
1170	Notes and accounts receivable, net (Note 6 (3))	4,244,017	17	4,851,146	20	4,356,205	28	2170	Accounts and notes payable	2,344,171	9	3,435,609	14	2,632,148	16		
1181	Accounts receivable due from related parties, net (Note 6 (3) and Note 7)	107,151	-	161,181	1	182,085	1	2180	Accounts payable to related parties (Note 7)	-	-	-	-	160,831	1		
1175	Lease payments receivable	12,520	-	12,219	-	-	-	2216	Dividends payable	3,164,997	13	-	-	415,521	3		
1200	Other receivables (Note 7)	3,603	-	120,456	-	82,590	1	2230	Current tax liabilities	752,038	3	1,287,878	5	468,027	3		
130X	Current inventories, net (Note 6 (4))	3,584,140	14	3,338,389	14	2,094,447	13	2280	Current lease liabilities (Note 6 (11))	42,586	-	46,273	-	34,022	-		
1410	Prepayments and other current assets (Note 6 (5))	411,735	1	548,847	3	555,834	4	2399	Other current liabilities	768,436	3	1,072,695	5	487,602	3		
		<u>21,973,043</u>	<u>85</u>	<u>21,522,649</u>	<u>89</u>	<u>13,361,900</u>	<u>85</u>			<u>8,671,981</u>	<u>34</u>	<u>6,704,717</u>	<u>27</u>	<u>6,870,866</u>	<u>43</u>		
Non-current assets:										Non-current liabilities:							
1600	Property, plant and equipment (Note 6 (6))	825,630	3	664,800	3	484,445	3	2570	Deferred tax liabilities (Note 6 (13))	373	-	373	-	22,633	-		
1755	Right-of-use assets (Note 6 (7))	62,412	-	81,543	-	65,223	-	2580	Non-current lease liabilities (Note 6 (11))	22,046	-	37,231	-	33,130	-		
1780	Intangible assets (Note 6 (8))	60,829	-	247,101	1	243,052	2	2645	Guarantee Deposits received	161,735	1	165,706	1	157,970	1		
1840	Deferred tax assets (Note 6 (13))	18,987	-	37,120	-	40,922	-			<u>184,154</u>	<u>1</u>	<u>203,310</u>	<u>1</u>	<u>213,733</u>	<u>1</u>		
1900	Other non-current assets (Note 6 (9))	2,752,979	12	1,715,323	7	1,515,639	10		Total liabilities	<u>8,856,135</u>	<u>35</u>	<u>6,908,027</u>	<u>28</u>	<u>7,084,599</u>	<u>44</u>		
1935	Long-term lease payments receivable	17,670	-	24,006	-	-	-										
		<u>3,738,507</u>	<u>15</u>	<u>2,769,893</u>	<u>11</u>	<u>2,349,281</u>	<u>15</u>		Equity: (Note 6 (14) and (15))								
Total assets		<u>\$ 25,711,550</u>	<u>100</u>	<u>24,292,542</u>	<u>100</u>	<u>15,711,181</u>	<u>100</u>	3110	Capital stock	1,865,453	7	1,865,453	8	1,665,579	11		
								3200	Capital surplus	6,986,364	27	6,986,364	29	2,066,877	13		
									Retained earnings:								
								3310	Legal reserve	853,945	3	268,720	1	268,720	2		
								3320	Special reserve	43,782	-	13,192	-	13,192	-		
								3350	Unappropriated retained earnings	5,244,852	21	6,765,097	28	3,453,584	22		
										<u>6,142,579</u>	<u>24</u>	<u>7,047,009</u>	<u>29</u>	<u>3,735,496</u>	<u>24</u>		
								3400	Other equity interest	29,650	-	(43,782)	-	(40,886)	-		
								3500	Treasury stock	(9,449)	-	(9,449)	-	(9,449)	-		
									Total equity attributable to owners of parent	15,014,597	58	15,845,595	66	7,417,617	48		
								36XX	Non-controlling interest	1,840,818	7	1,538,920	6	1,208,965	8		
									Total equity	<u>16,855,415</u>	<u>65</u>	<u>17,384,515</u>	<u>72</u>	<u>8,626,582</u>	<u>56</u>		
									Total liabilities and equity	<u>\$ 25,711,550</u>	<u>100</u>	<u>24,292,542</u>	<u>100</u>	<u>15,711,181</u>	<u>100</u>		

(Please refer to the accompanying notes to the consolidated financial statements)

Chairman: Lin, Yung-Chieh

Manager: Chiu, Shu-Hui

CAO: Chen, Po-Tsang

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
Fitipower Integrated Technology Inc. and Subsidiaries

Consolidated Statement of Comprehensive Income

For the three months and six months ended June 30, 2022 and 2021

Unit: NT\$ thousands

		Three Months Ended June 30				Six Months Ended June 30			
		2022		2021		2022		2021	
		Amount	%	Amount	%	Amount	%	Amount	%
4111	Operating revenue (Note 6 (17) and Note 7)	\$ 5,397,191	100	5,869,798	100	11,358,858	100	9,874,025	100
5000	Operating cost (Note 6 (4), Note 7 and Note 12)	3,359,584	62	3,100,224	53	6,627,330	58	5,532,381	56
	Gross profit from operations	2,037,607	38	2,769,574	47	4,731,528	42	4,341,644	44
	Operating expense: (Note 6 (3) (8) (9)(11) (12) (15) (18) and Note 12)								
6100	Selling expense	105,098	2	67,052	1	206,532	2	141,318	1
6200	Administration expense	121,755	2	70,540	1	222,906	2	131,036	1
6300	Research and development expense	663,180	12	407,044	7	1,222,175	11	802,705	8
6450	Impairment loss	(7,752)	-	480	-	(7,525)	-	884	-
		882,281	16	545,116	9	1,644,088	15	1,075,943	10
	Net operating profit	1,155,326	22	2,224,458	38	3,087,440	27	3,265,701	34
	Non-operating income and expense: (Note 6 (11) and (19))								
7100	Interest income	17,928	-	12,602	-	26,659	-	23,980	-
7010	Other income	2,610	-	30,318	1	7,544	-	31,753	-
7020	Other gains and losses, net	(105,840)	(2)	3,987	-	(63,988)	-	(18,255)	-
7050	Financial costs, net	(8,487)	-	(5,504)	-	(13,877)	-	(6,524)	-
		(93,789)	(2)	41,403	1	(43,662)	-	30,954	-
	Income before income tax	1,061,537	20	2,265,861	39	3,043,778	27	3,296,655	34
7951	Less: Income tax expense (Note 6 (13))	171,984	3	336,172	6	545,908	5	486,704	5
	Net income	889,553	17	1,929,689	33	2,497,870	22	2,809,951	29
8300	Other comprehensive income:								
8360	Components of other comprehensive income that will be reclassified to profit or loss (Note 6 (13))								
8361	Exchange differences on translation	(5,771)	-	(28,599)	-	156,408	1	(53,807)	(1)
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(2,255)	-	(3,599)	-	18,381	-	(6,708)	-
	Total components of other comprehensive income that will be reclassified to profit or loss	(3,516)	-	(25,000)	-	138,027	1	(47,099)	(1)
8300	Total other comprehensive income	(3,516)	-	(25,000)	-	138,027	1	(47,099)	(1)
	Total comprehensive income	<u>\$ 886,037</u>	<u>17</u>	<u>1,904,689</u>	<u>33</u>	<u>2,635,897</u>	<u>23</u>	<u>2,762,852</u>	<u>28</u>
	Net income attributable to:								
	Shareholders of the parent	\$ 751,443	14	1,750,094	30	2,260,567	20	2,540,731	26
8620	Non-controlling interest	138,110	3	179,595	3	237,303	2	269,220	3
		<u>\$ 889,553</u>	<u>17</u>	<u>1,929,689</u>	<u>33</u>	<u>2,497,870</u>	<u>22</u>	<u>2,809,951</u>	<u>29</u>
	Total comprehensive income attributable to:								
	Shareholders of the parent	\$ 742,152	14	1,735,673	30	2,333,999	21	2,513,875	25
	Non-controlling interest	143,885	3	169,016	3	301,898	2	248,977	3
		<u>\$ 886,037</u>	<u>17</u>	<u>1,904,689</u>	<u>33</u>	<u>2,635,897</u>	<u>23</u>	<u>2,762,852</u>	<u>28</u>
	Earnings per share (Unit: NT\$1) (Note 6 (16))								
	Basic earnings per share	<u>\$ 4.04</u>		<u>10.58</u>		<u>12.14</u>		<u>15.35</u>	
	Diluted earnings per share	<u>\$ 4.01</u>		<u>10.54</u>		<u>12.02</u>		<u>15.30</u>	

(Please refer to the accompanying notes to the consolidated financial statements)

Chairman: Lin, Yung-Chieh

Manager: Chiu, Shu-Hui

CAO: Chen, Po-Tsang

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

Fitipower Integrated Technology Inc. and Subsidiaries

Consolidated Statement of Changes in Equity
For the six months ended June 30, 2022 and 2021

Unit: NT\$ thousands

	Equity attributed to the owners of the parent company										
	Retained earnings					Other equity items		Treasury stock	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Share capital for common stock	Capital surplus	Legal reserve	Special reserve	Undistributed retained earnings	Exchange difference on translation of foreign financial statements	Unearned compensation for employees				
Balance at January 1, 2021	\$ 1,665,880	2,064,369	202,162	24,406	1,383,718	(13,191)	(1,734)	(9,449)	5,316,161	959,988	6,276,149
Net income in 2021	-	-	-	-	2,540,731	-	-	-	2,540,731	269,220	2,809,951
Other comprehensive income in 2021, net of income tax	-	-	-	-	-	(26,856)	-	-	(26,856)	(20,243)	(47,099)
Total comprehensive income in 2021	-	-	-	-	2,540,731	(26,856)	-	-	2,513,875	248,977	2,762,852
Appropriation of retained earnings:											
Legal reserve appropriated	-	-	66,558	-	(66,558)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(11,214)	11,214	-	-	-	-	-	-
Cash dividends	-	(28)	-	-	(415,521)	-	-	-	(415,549)	-	(415,549)
Share-based payments	-	2,465	-	-	-	-	-	-	2,465	-	2,465
Issuance of restricted stock for employees	-	(230)	-	-	-	-	895	-	665	-	665
Writing-off of restricted stock for employees	(301)	301	-	-	-	-	-	-	-	-	-
Balance at June 30, 2021	\$ 1,665,579	2,066,877	268,720	13,192	3,453,584	(40,047)	(839)	(9,449)	7,417,617	1,208,965	8,626,582
Balance at January 1, 2022	\$ 1,865,453	6,986,364	268,720	13,192	6,765,097	(43,782)	-	(9,449)	15,845,595	1,538,920	17,384,515
Net income in 2022	-	-	-	-	2,260,567	-	-	-	2,260,567	237,303	2,497,870
Other comprehensive income in 2022, net of income tax	-	-	-	-	-	73,432	-	-	73,432	64,595	138,027
Total comprehensive income in 2022	-	-	-	-	2,260,567	73,432	-	-	2,333,999	301,898	2,635,897
Appropriation of retained earnings:											
Legal reserve appropriated	-	-	585,225	-	(585,225)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	30,590	(30,590)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(3,164,997)	-	-	-	(3,164,997)	-	(3,164,997)
Balance at June 30, 2022	\$ 1,865,453	6,986,364	853,945	43,782	5,244,852	29,650	-	(9,449)	15,014,597	1,840,818	16,855,415

(Please refer to the accompanying notes to the consolidated financial statements)

Chairman: Lin, Yung-Chieh

Manager: Chiu, Shu-Hui

CAO: Chen, Po-Tsang

Fitipower Integrated Technology Inc. and Subsidiaries

Consolidated Statement of Cash Flows

For the six months ended June 30, 2022 and 2021

Unit: NT\$ thousands

	Six Months Ended June 30	
	2022	2021
Cash flows from operating activities:		
Income before income tax	\$ 3,043,778	3,296,655
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	150,971	93,868
Amortization expense	29,512	10,274
Expected credit loss (gain on reversal)	(7,525)	884
Net loss (profit) on financial assets and liabilities at fair value through profit	83,873	(770)
Interest expense	13,877	6,524
Interest income	(26,659)	(23,980)
Share-based payment	30,317	3,130
Loss on the disposal of property, plant and equipment	-	73
Profit on the disposal of financial assets measured at FVTPL	(4,403)	(2,274)
Inventory valuation and disposal loss	174,822	37,590
Impairment loss of goodwill	183,365	-
Total adjustments to reconcile profit (loss)	628,150	125,319
Changes in operating assets and liabilities:		
Decrease in lease payments receivable	6,035	-
Decrease (increase) in accounts receivable	668,684	(2,851,579)
Decrease in other receivables	116,478	32,869
Increase in inventory	(420,573)	(709,564)
Decrease (increase) in prepayments and other current assets	137,112	(399,252)
Increase (decrease) in accounts payable	(1,165,011)	827,447
Decrease in accounts payable - related parties	-	(253,094)
Increase (decrease) in contract liabilities	(15,042)	42,741
Increase (decrease) in other current liabilities	(181,985)	36,737
Total changes in operating assets and liabilities	(854,302)	(3,273,695)
Cash inflow generated from operations	2,817,626	148,279
Interest received	27,034	23,617
Interest paid	(12,628)	(2,276)
Income taxes paid	(991,815)	(103,751)
Net cash inflow from operating activities	1,840,217	65,869
Cash flow from investing activities:		
Acquisition of financial assets at fair value through profit or loss	(6,254,174)	(2,953,001)
Proceeds from disposal of financial assets at fair value through profit or loss	2,374,300	2,385,017
Decrease in acquisition of financial assets at amortized cost	555,000	29,800
Acquisition of property, plant and equipment	(281,110)	(232,503)
Proceeds from disposal of property, plant and equipment	-	43
Acquisition of intangible assets	(25,595)	(17,179)
Increase in refundable deposits	(1,035,027)	(1,424,094)
Decrease (increase) in other non-current assets	(49,927)	7,041
Net cash outflow in investing activities	(4,716,533)	(2,204,876)
Cash flow from financing activities:		
Increase in current borrowings	751,822	2,582,622
Increase (decrease) in guarantee deposits received	(9,522)	58,247
Payments of lease liabilities	(23,554)	(17,223)
Issuance of cash dividends	-	(28)
Net cash inflow from financing activities	718,746	2,623,618
Effects of exchange rate changes on cash and cash equivalents	30,921	(53,446)
Net increase (decrease) in cash and cash equivalents	(2,126,649)	431,165
Cash and cash equivalents at beginning of period	7,042,205	2,863,625
Cash and cash equivalents at end of period	\$ 4,915,556	3,294,790

(Please refer to the accompanying notes to the consolidated financial statements)

Chairman: Lin, Yung-Chieh

Manager: Chiu, Shu-Hui

CAO: Chen, Po-Tsang

Fitipower Integrated Technology Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

June 30, 2022 and 2021

(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 has its place of business registered 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. 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) of the integrated services digital networking systems, memory ICs for communications, 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") on May 1, 2010, with the Company being the surviving one and TechPower being extinguished as a result of the merger. The Company's shares have since October 17, 2018 been listed on the Taiwan Stock Exchange.

2. Approval Date and Procedures of the Consolidated Financial Statements

The consolidated financial statements were approved for issuance by the Board of Directors on August 3, 2022.

3. Application of New and Amended Standards and Interpretations

- (1) The effect or impact that may arise when it has applied new or revised standards and interpretations endorsed by the Financial Supervisory Commission (FSC)

Effective on January 1, 2022, the Consolidated Company adopted the following newly revised IFRSs, which did not have a significant impact on the consolidated financial statements

- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract
- Annual Improvements to IFRSs 2018-2020 Cycle
- Amendments to IFRS 3 – Updating a Reference to the Conceptual Framework

- (2) The effects of not applying the IFRSs approved by the FSC

The Consolidated Company's assessment of the application of the following newly amended IFRSs, effective since January 1, 2023, considered that this will not have a material impact on the consolidated financial statements.

- 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

Fitipower Integrated Technology Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

(3) New and amended standards and interpretations not yet endorsed by the FSC

The Consolidated Company does not expect the following newly issued and amended standards, which have not yet been endorsed, to have a material impact on the consolidated financial statements.

- Amendments to IFRS 10/IAS 28 – Sales or Contributions of Assets Between an Investor and Its Associate/Joint Venture
- IFRS 17 Insurance Contracts and Amendments to IFRS 17
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
- Amendment to IFRS 17 – Initial Application of IFRS 17 and IFRS 9—Comparative Information

4. Summary of Significant Accounting Policies

(1) Compliance statement

The Consolidated Financial Statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter the "Preparation Regulations") and International Accounting Standard 34, "Interim Financial Reporting," as endorsed by the FSC. The Consolidated Financial Statements do not include all of the information that would be required to be disclosed in an annual consolidated financial report prepared under International Financial Reporting Standards, International Accounting Standards (IASs), and Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC) (hereinafter the "International Financial Reporting Standards endorsed by the FSC"), as endorsed and issued into effect by the FSC.

Except as described below, the significant accounting policies adopted in these Consolidated Financial Statements are the same as those used in the Consolidated Financial Statements for fiscal 2021. For related information, see Note 4 to the Consolidated Financial Statements for fiscal 2021.

(2) Consolidated basis

The subsidiaries included in these consolidated financial statements consist of:

Name of Investment Company	Name of Subsidiary	Business Nature	Shareholding Percentage			Note
			June 30, 2022	Dec. 31, 2021	June 30, 2021	
The Company	Trade Logic Limited (Trade Logic)	Investment company	100.00%	100.00%	100.00%	—
The Company	Visual Sensing Technology Corp. (Visual Sensing Technology)	IC design	83.35%	83.35%	76.47%	Note 1
The Company	Pu Yu Investment Co., Ltd. (Pu Yu Investment)	Investment company	100.00%	- %	- %	Note 3

Fitipower Integrated Technology Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

Name of Investment Company	Name of Subsidiary	Business Nature	Shareholding Percentage			Note
			June 30, 2022	Dec. 31, 2021	June 30, 2021	
Trade Logic Limited	Ever Harvest Limited (Ever Harvest)	Investment company	100.00%	100.00%	100.00%	—
Ever Harvest Limited	JADARD TECHNOLOGY INC. (Shenzhen Jadard)	IC design	61.15%	61.15%	61.15%	—
JADARD TECHNOLOGY INC.	Hefei Jadard Technology Co., Ltd. (Hefei Jadard)	Supply chain management	100.00%	100.00%	100.00%	—
JADARD TECHNOLOGY INC.	Jadard Technology Limited (Jadard Technology)	General trade	100.00%	100.00%	100.00%	—
JADARD TECHNOLOGY INC.	Xiamen Jadard Technology Co., Ltd. (Xiamen Jadard)	Supply chain management	100.00%	100.00%	-	% Note 2

Note 1: In December 2021, Visual-Sensing Technology Corp. conduct a cash capital increase. After the capital increase, the Company's shareholding ratio increased to 83.35%.

Note 2: On August 5, 2021, the Company indirectly invested in Xiamen Jadard through its investment business in Mainland China.

Note 3: The Company invested and established Pu Yu Investment Co., Ltd. on May 24, 2022. Pu Yu Investment Co., Ltd. has been included in the consolidated financial statements since then.

(3) Income tax

The Consolidated Company measures and discloses its income tax expense for the interim periods in accordance with paragraph B12 of IAS 34, "Interim Financial Reporting."

Income tax expense is measured by multiplying net income before income taxes for the interim reporting period by management's best estimate of the estimated effective tax rate for the full year, and is recognized in full as current income tax expense.

Income tax expense recognized directly in equity or in other comprehensive income is measured at the applicable tax rate when the related assets and liabilities are expected to be realized or settled, based on temporary differences between their carrying amounts for financial reporting purposes and their tax bases.

5. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

The preparation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" approved by the FSC requires the management to make judgments, estimates and assumptions that affect the adoption of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

When preparing the Consolidated Financial Statements, the critical judgments made by

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management in the adoption of the Consolidated Company's accounting policies and the key sources of estimation uncertainty are consistent with Note 5 to the Consolidated Financial Statements for fiscal 2021.

6. Details of Significant Accounts

Except as noted below, there are no material differences between the description of significant accounting items in these Consolidated Financial Statements and the Consolidated Financial Statements for fiscal 2021. For related information, see Note 6 to the Consolidated Financial Statements for fiscal 2021.

(1) Cash and cash equivalents

	<u>June 30, 2022</u>	<u>Dec. 31, 2021</u>	<u>June 30, 2021</u>
Cash	\$ 1,580	1,310	1,148
Checking and savings accounts	3,177,297	5,464,741	2,150,470
Time deposits	1,741,879	2,136,354	1,208,372
Less: Restricted deposits (recorded as financial assets measured at amortized cost) (Note 8)	(200)	(200)	(60,200)
Time deposits with original maturities of more than three months (recorded as financial assets measured at amortized cost)	(5,000)	(560,000)	(5,000)
	<u><u>\$ 4,915,556</u></u>	<u><u>7,042,205</u></u>	<u><u>3,294,790</u></u>

The Group did not recognize impairment loss on financial assets at amortized cost for the six months ended June 30, 2022 and 2021. Other information relating to credit risk is provided in Note 6(20).

(2) Current financial assets and liabilities at fair value through profit or loss

a. Mandatorily measured at fair value through profit or loss:

	<u>June 30, 2022</u>	<u>Dec. 31, 2021</u>	<u>June 30, 2021</u>
Financial assets mandatorily measured at fair value through profit or loss:			
Current:			
Open-ended funds	\$ 8,689,030	4,884,709	2,730,749
Exchange Contracts	91	3,297	-
	<u><u>\$ 8,689,121</u></u>	<u><u>4,888,006</u></u>	<u><u>2,730,749</u></u>

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	<u>June 30, 2022</u>	<u>Dec. 31, 2021</u>	<u>June 30, 2021</u>
Financial liabilities mandatorily measured at fair value through profit or loss:			
Current:			
Exchange Contracts	\$ 711	-	-
Total	<u>\$ 711</u>	<u>-</u>	<u>-</u>

b. Details of derivative financial assets and liabilities were as follows:

	<u>June 30, 2022</u>			<u>Dec. 31, 2021</u>			<u>June 30, 2021</u>		
	<u>Contract Amount</u>	<u>Currency</u>	<u>Maturity Date</u>	<u>Contract Amount</u>	<u>Currency</u>	<u>Maturity Date</u>	<u>Contract Amount</u>	<u>Currency</u>	<u>Maturity Date</u>
Exchange									
Contracts:									
USD	\$ 39,000	USD	2022.07	45,000	USD	2022.02	-	-	-

(3) Notes and accounts receivable (including the part from related parties), net

	<u>June 30, 2022</u>	<u>Dec. 31, 2021</u>	<u>June 30, 2021</u>
Notes receivable	\$ -	-	3,856
Accounts receivable (including the part from related parties)	4,356,682	5,025,366	4,542,317
Minus: Allowance for impairment losses	<u>(5,514)</u>	<u>(13,039)</u>	<u>(7,883)</u>
	<u>\$ 4,351,168</u>	<u>5,012,327</u>	<u>4,538,290</u>

The Consolidated Company uses a simplified approach to estimate expected credit losses for all accounts receivable (including related parties), i.e., it uses the expected credit loss measure for the duration. For this measurement purpose, these receivables (including related parties) are grouped by common credit risk characteristics that represent the customer's ability to pay all amounts due in accordance with contractual terms and are included in forward-looking information. The expected credit losses on the Consolidated Company's accounts receivable (including related parties) are analyzed as follows:

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	June 30, 2022		
	Book value of the notes and accounts receivable (including the part from related parties)	Weighted average expected credit loss rate	Expected credit losses in the duration of allowance
Not overdue	\$ 4,315,568	0.00%	-
Within 30 days past due	22,974	3.43%	788
31-60 days past due	8,854	1.30%	115
61-90 days past due	694	6.77%	47
More than 120 days past due	8,592	50~100%	4,564
	<u>\$ 4,356,682</u>		<u>5,514</u>
	Dec. 31, 2021		
	Book value of the notes and accounts receivable (including the part from related parties)	Weighted average expected credit loss rate	Expected credit losses in the duration of allowance
Not overdue	\$ 4,852,982	0.03%	1,614
Within 30 days past due	89,722	0.72%	650
31-60 days past due	57,755	3.58%	2,066
61-90 days past due	16,516	9.61%	1,588
91-120 days past due	3,053	80.81%	2,467
More than 120 days past due	5,338	50%~100%	4,654
	<u>\$ 5,025,366</u>		<u>13,039</u>
	June 30, 2021		
	Book value of the notes and accounts receivable (including the part from related parties)	Weighted average expected credit loss rate	Expected credit losses in the duration of allowance
Not overdue	\$ 4,521,205	0.15%	6,858
Within 30 days past due	17,510	0.47%	83
31-60 days past due	4,248	3.30%	140
61-90 days past due	13	0.00%	-
91-120 days past due	2,888	17.62%	509
More than 120 days past due	309	94.82%	293
	<u>\$ 4,546,173</u>		<u>7,883</u>

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The changes in the allowance for losses of the accounts receivable (including the part from related parties) of the consolidated company were as follows:

	Six Months Ended June 30	
	2022	2021
Beginning balance	\$ 13,039	6,999
Impairment losses (gain on reversal)	(7,525)	884
Ending balance	\$ 5,514	7,883

(4) Net inventory

	June 30, 2022	Dec. 31, 2021	June 30, 2021
Finished goods	\$ 1,249,999	1,099,635	477,333
Work-in-progress	1,463,193	1,215,067	905,132
Raw materials	870,948	1,023,687	711,982
	\$ 3,584,140	3,338,389	2,094,447

For the three months ended June 30, 2022 and 2021 and the six months ended June 30, 2022 and 2021, the cost of goods sold related to inventories was \$3,205,086 thousand, \$3,081,451 thousand, \$6,452,508 thousand and \$5,494,791 thousand, respectively; Inventory valuation and disposal loss of \$154,498 thousand, \$18,773 thousand, \$174,822 thousand and \$37,590 thousand, respectively, were recognized as a reduction of inventories to net realizable value.

(5) Prepayments and other current assets

	June 30, 2022	Dec. 31, 2021	June 30, 2021
Prepayment	\$ 245,480	460,664	395,411
Prepaid expenses	52,424	44,027	36,995
Net Input VAT and Prepaid tax	111,701	42,029	121,745
Payment on behalf of others	2,130	2,127	1,683
	\$ 411,735	548,847	555,834

(6) Property, plant and equipment

The changes in the cost and depreciation of the consolidated company's property, plant and equipment were as follows:

	Instruments and Machinery	Office equipment	Leasehold improvement	Equipment to be inspected	Total
Cost:					
Balance at January 1, 2022	\$ 1,079,389	84,576	7,677	3,319	1,174,961
Addition	261,977	17,519	1,036	578	281,110
Disposal	(207)	(25)	-	-	(232)
Reclassification	3,179	140	-	(3,319)	-
Effect of exchange rate changes	12,021	586	-	-	12,607
Balance at June 30, 2022	\$ 1,356,359	102,796	8,713	578	1,468,446

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	Instruments and Machinery	Office equipment	Leasehold improvement	Equipment to be inspected	Total
Balance at January 1, 2021	\$ 616,789	53,649	4,996	1,800	677,234
Addition	212,579	10,849	1,379	7,696	232,503
Disposal	(2,866)	(2,769)	(92)	-	(5,727)
Reclassification	122	-	-	(122)	-
Effect of exchange rate changes	(4,296)	(159)	(1)	-	(4,456)
Balance at June 30, 2021	\$ 822,328	61,570	6,282	9,374	899,554
Depreciation:					
Balance at January 1, 2022	\$ 458,360	48,009	3,792	-	510,161
Depreciation	117,614	9,681	834	-	128,129
Disposal	(207)	(25)	-	-	(232)
Effect of exchange rate changes	4,566	192	-	-	4,758
Balance at June 30, 2022	\$ 580,333	57,857	4,626	-	642,816
Balance at January 1, 2021	\$ 301,826	40,184	2,839	-	344,849
Depreciation	72,403	4,311	586	-	77,300
Disposal	(2,866)	(2,653)	(92)	-	(5,611)
Effect of exchange rate changes	(1,374)	(54)	(1)	-	(1,429)
Balance at June 30, 2021	\$ 369,989	41,788	3,332	-	415,109
Book value:					
June 30, 2022	\$ 776,026	44,939	4,087	578	825,630
June 30, 2021	\$ 452,339	19,782	2,950	9,374	484,445

(7) Right-of-use assets

The cost and depreciation of the right-of-use assets recognized in the Consolidated Company's leasehold buildings were as follows:

	Buildings
Cost of right-of-use assets:	
Balance at January 1, 2022	\$ 154,378
Addition	30,366
Disposal	(39,752)
Effect of the changes in exchange rates	465
Balance at June 30, 2022	\$ 145,457
Balance at January 1, 2021	\$ 121,173
Addition	13,096
Effect of the changes in exchange rates	(608)
Balance at June 30, 2021	\$ 133,661

Depreciation and impairment losses of right-of-use

assets:	
	Buildings
Balance at January 1, 2022	\$ 72,835
Depreciation	22,842
Disposal	(12,751)
Effect of the changes in exchange rates	119
Balance at June 30, 2022	<u>\$ 83,045</u>
Balance at January 1, 2021	\$ 52,156
Depreciation	16,568
Effect of the changes in exchange rates	(286)
Balance at June 30, 2021	<u>\$ 68,438</u>
Book value:	
June 30, 2022	<u>\$ 62,412</u>
June 30, 2021	<u>\$ 65,223</u>

(8) Intangible assets

a. The changes in the cost and amortization of the Consolidated Company's intangible assets were as follows:

	Goodwill	Computer Software	Patent	Total
Cost:				
Balance at January 1, 2022	\$ 185,097	38,587	81,881	305,565
Separate acquisition	-	15,698	9,897	25,595
Effect of the changes in exchange rates	-	569	1,121	1,690
Balance at June 30, 2022	<u>\$ 185,097</u>	<u>54,854</u>	<u>92,899</u>	<u>332,850</u>
Balance at January 1, 2021	\$ 185,097	24,852	59,998	269,947
Separate acquisition	-	2,539	14,640	17,179
Effect of the changes in exchange rates	-	(217)	(169)	(386)
Balance at June 30, 2021	<u>\$ 185,097</u>	<u>27,174</u>	<u>74,469</u>	<u>286,740</u>
Amortization:				
Balance at January 1, 2022	\$ -	22,061	36,403	58,464
Amortization	-	14,689	14,823	29,512
Impairment	183,365	-	-	183,365
Effect of the changes in exchange rates	-	319	361	680
Balance at June 30, 2022	<u>\$ 183,365</u>	<u>37,069</u>	<u>51,587</u>	<u>272,021</u>

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	Goodwill	Computer Software	Patent	Total
Balance at January 1, 2021	\$ -	16,325	17,264	33,589
Amortization	-	1,964	8,310	10,274
Effect of the changes in exchange rates	-	(161)	(14)	(175)
Balance at June 30, 2021	<u>\$ -</u>	<u>18,128</u>	<u>25,560</u>	<u>43,688</u>
Book value:				
June 30, 2022	<u>\$ 1,732</u>	<u>17,785</u>	<u>41,312</u>	<u>60,829</u>
June 30, 2021	<u>\$ 185,097</u>	<u>9,046</u>	<u>48,909</u>	<u>243,052</u>

b. Testing of goodwill impairment

For the purpose of impairment testing, the Consolidated Company has allocated the its goodwill to the products, which were the cash generating units of the former Hongxin Semiconductor Manufacturing Company, and the cash generating units of other segments. The total carrying amount of the goodwill was allocated as follows:

	<u>June 30, 2022</u>	<u>Dec. 31, 2021</u>	<u>June 30, 2021</u>
The cash generating units, of the former Hongxin Semiconductor Manufacturing Company	\$ 1,607	184,972	184,972
The cash generating units of other segments	125	125	125
	<u>\$ 1,732</u>	<u>185,097</u>	<u>185,097</u>

Due to the rapid changes in the market, the revenue from the product of the former Hongxin Semiconductor Manufacturing Company was not as expected in 2022. Therefore, the Consolidated Company commissioned an expert to issue an appraisal report, and the Consolidated Company recognized a loss of goodwill impairment of \$183,365 thousand based on the appraisal report. There is no such condition as of June 30, 2021. The Consolidated Company has reduced the carrying amount of the amortized goodwill of the products, which were the cash generating units of Hongxin Semiconductor Manufacturing Company by the impairment loss recognized and reported the impairment loss in the consolidated statement of income under the item of "non-operating expenses".

The products, which were the cash generating units of Hongxin Semiconductor Manufacturing Company, were based on the revenue growth rate for the estimation of the future cash flows from the sales of these products, which were calculated using an annual discount rate of 14.77% and 11.18% as of June 30, 2022 and 2021, respectively.

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(9) Other non-current assets

	<u>June 30, 2022</u>	<u>Dec. 31, 2021</u>	<u>June 30, 2021</u>
Prepaid bonus	\$ 138,302	81,985	75,134
Guarantee deposits paid	2,614,677	1,626,948	1,428,261
Others	-	6,390	12,244
	<u>\$ 2,752,979</u>	<u>1,715,323</u>	<u>1,515,639</u>

- a. The Consolidated Company provides special incentive payments to employees who meet certain criteria, and the payments are made in a lump sum upon signing 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 Consolidated Company amortized the total prepaid bonuses as manufacturing expenses and operating expenses over the contracted service period, and recognized manufacturing expenses and operating expenses of \$50,418 thousand and \$29,156 thousand for the three months ended June 30, 2022 and 2021 and of \$88,336 thousand and \$57,482 thousand for the six months ended June 30, 2022 and 2021, respectively.
- b. In order to ensure stable production capacity, the Consolidated Company entered into production capacity guarantee contracts with suppliers, under which a guarantee deposit is paid and returned when the contracts are completed, which is recorded under Other non-current assets - Guarantee deposits paid. Besides, in accordance with the contracts, the Consolidated Company shall regularly evaluate the changes in market demand and the utilization of future capacity, and shall periodically assess whether it is necessary to provide related compensation for losses and liabilities in accordance with the contracts.

(10) Current borrowings

The details of the current borrowings of the Consolidated Company were as follows:

	<u>June 30, 2022</u>	<u>Dec. 31, 2021</u>	<u>June 30, 2021</u>
Unsecured bank loans	\$ 1,307,680	777,808	2,582,622
Other loans	221,950	-	-
	<u>\$ 1,529,630</u>	<u>777,808</u>	<u>2,582,622</u>
Interest rate collar	<u>1.64%~4.96%</u>	<u>0.54%~0.63%</u>	<u>0.50%~1.00%</u>
Unused loan commitment	<u>\$ 3,370,280</u>	<u>3,566,432</u>	<u>522,640</u>

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(11) Lease liabilities

The book value of the lease liabilities of the Consolidated Company were as follows:

	June 30, 2022	Dec. 31, 2021	June 30, 2021
Current	<u>\$ 42,586</u>	<u>46,273</u>	<u>34,022</u>
Non-current	<u>\$ 22,046</u>	<u>37,231</u>	<u>33,130</u>

For the maturity analysis, please refer to Note 6 (20) Financial Instruments.

The amounts recognized in profit and loss were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	June 30, 2022	June 30, 2021
Interest expense				
of lease				
liabilities	<u>\$ 361</u>	<u>348</u>	<u>816</u>	<u>714</u>
Cost of low-value				
leased assets				
(excluding				
low-value				
leases under				
short-term				
leases)	<u>\$ 1,008</u>	<u>1,776</u>	<u>2,232</u>	<u>4,115</u>

The amounts recognized in the Statement of Cash Flows were as follows:

	Six Months Ended June 30	
	2022	2021
Total amount of cash outflow from lease	<u>\$ 26,602</u>	<u>22,052</u>

Leasing of buildings and structures

The Consolidated Company leased buildings and structures for office use on June 30, 2022, December 31, 2021 and June 30, 2021. Office leases are generally for periods of one to five years, with some leases including an option to extend the lease for the same period as the original contract at the end of the lease term. Lease payments under some of these contracts are subject to changes in local price indices.

(12) Employee benefits

Defined contribution plan

If the Consolidated Company is a domestic company, its defined contribution plan is based on the Labor Pension Act, which provides for a contribution rate of 6% of the workers' monthly wages to the Bureau of Labor Insurance's individual labor pension accounts. Under this plan, the Consolidated Company is not legally or constructively obligated to pay additional amounts after it has contributed a fixed amount to the bureau. If the Consolidated Company is a foreign company, it contributes an amount to the pension funds in accordance

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with local laws and regulations, and recognizes the required contributions in each period as current expenses. Chinese subsidiaries included in the consolidated entity are required by the Chinese government to make contributions to the basic endowment insurance premium at a statutory rate based on the approved salaries of employees and to recognize the contributions as current expenses.

The pension costs and pension insurance premiums under the defined contribution pension plan were \$18,084 thousand and \$12,918 thousand for the three months ended June 30, 2022 and 2021 and were \$35,140 thousand and \$24,558 thousand for the six months ended June 30, 2022 and 2021, respectively.

(13) Income tax

- a. The statutory income tax rate for domestic consolidated companies is 20%, and the "Basic Income Tax Ordinance" is applied to calculate the basic tax amount. Trade Logic and Ever Harvest are located in the British Virgin Islands and Samoa, respectively, and are subject to the income tax regulations of the registered area. The income tax rate for JADARD TECHNOLOGY INC. and Hefei Jadard Technology Co., Ltd. (Hefei Jadard) is 25%. The preferential tax rate for high-tech enterprises in China, which is 15%, is applicable to JADARD TECHNOLOGY INC. and the income tax rate for Jadard Technology Limited is 16.5%.

b. Income tax expense

The details of income tax expense of the Consolidated Company were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Income tax expense	\$ 171,984	336,172	545,908	486,704

The details of income tax expense (benefit) recognized under other comprehensive income for the Consolidated Company were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Components of other comprehensive income that will be reclassified to profit or loss:				
Exchange differences on translation	\$ (2,255)	(3,599)	18,381	(6,708)

- c. The Company's income tax claim have been examined and cleared by the tax authorities through 2018.

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(14) Capital and other interests

As of June 30, 2022, December 31, 2021 and June 30, 2021, the total issued capitals of the Company were \$3,000,000 thousand, \$3,000,000 thousand and \$2,000,000 thousand, with a par value of \$10 per share, and 186,545 thousand shares, 186,545 thousand shares and 166,558 thousand shares, respectively, all of which were common shares.

The details of circulating common shares of the Company were as follows: (in thousands shares)

	Six Months Ended June 30	
	2022	2021
Beginning balance	186,176	165,406
Gain from the restricted stock for employees in the current period	-	73
Ending balance	186,176	165,479

a. Issuance of common shares

On May 31, 2021, the board of directors resolved Cash capital increase to issue 20,000 thousand shares with a par value of \$10 per share. The above Cash capital increase was approved by the Financial Supervisory Commission on June 28, 2021, at a price of \$255 per share, with August 5, 2021 as the base date. All issued shares have been received and registered for change.

b. Capital surplus

The balances of the Company's capital surplus were as follows:

	June 30, 2022	Dec. 31, 2021	June 30, 2021
Additional paid-in capital	\$ 6,102,418	6,102,418	1,157,163
Treasury share transactions	535	535	535
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	882,961	882,961	887,399
Restricted stocks for employees	-	-	19,039
Other	450	450	2,741
	\$ 6,986,364	6,986,364	2,066,877

According to the Company Act, new shares or cash may only be issued from realized capital surplus in proportion to the original shares of the shareholders after the capital surplus has first been used to cover losses. Realized capital surplus as referred to in the preceding paragraph includes surplus from the issue of shares in excess of par value and

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proceeds from gifts. As stipulated in Article 72-1 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, where capital reserve is capitalized, the combined amount of any portions capitalized in any 1 year may not exceed 10% of paid-in capital.

c. Retained earnings

Under the Company's Articles of Incorporation, if there is any net profit after tax for the period, the Company shall first make up the accumulated deficit in the annual final accounts and set aside 10% as legal reserve in accordance with the law, except when the accumulated legal reserve has reached the total paid-in capital of the Company. 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, by taking into account the current and future development plans, the investment environment, capital requirements and 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

If the Company has no losses, it may, by resolution of the shareholders' meeting, issue new shares or cash from the legal reserve, provided that the amount of such reserve exceeds 25% of the paid-in capital.

2) Special reserve

According to the FSC's Jin-Guan-Zheng-Fa-Zi Order No. 1090150022 dated March 31, 2021, when distributing distributable earnings, the Company recorded a net decrease in other equity during the year, which was not distributable from the current year's profit or loss as a supplement to the special reserve. If there is a subsequent reversal in the amount of other equity deductions, the reversed portion of the surplus may be distributed.

3) Distribution of earnings

The appropriation of the Company's earnings for fiscal 2021 and fiscal 2020 was approved by the annual shareholders' meeting held on June 22, 2022 and May 18, 2021.

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The amounts of dividends distributed to owners were as follows:

	2021		2020	
	Dividend per share (NT\$)	Amount	Dividend per share (NT\$)	Amount
Dividends distributed to ordinary shareholders				
Cash	\$ 17.0	<u>3,164,997</u>	2.5	<u>415,521</u>

d. Treasury shares

In accordance with Article 167-1 of the Company Act, the consolidated company shall buy back treasury shares for the purpose of transferring shares to employees, with the following changes:

	Six Months Ended June 30			
	2022		2021	
	Shares (1,000 shares)	Amount	Shares (1,000 shares)	Amount
Beginning amount (i.e. the ending balance)	<u>369</u>	<u>\$ 9,449</u>	<u>369</u>	<u>9,449</u>

In 2020, the Company repurchased 369 thousands shares of treasury share for the necessity to protect the Company's credit and shareholders' rights under Article 28-2 of the Securities and Exchange Act. As of June 30, 2022, in a total of 369 thousand shares are un-canceled.

According to Securities and Exchange Act, treasury share held by the Company cannot be pledged and is not entitled to shareholders' rights until it is transferred.

e. Other equity

The change in the Company's other equity items were as follows:

	Exchange difference on translation of foreign financial statements	Unearned compensation for employees	Total
Balance at January 1, 2022	\$ (43,782)	-	(43,782)
Differences from foreign currency translations (net amount after taxes)	<u>73,432</u>	<u>-</u>	<u>73,432</u>
Balance at June 30, 2022	<u>\$ 29,650</u>	<u>-</u>	<u>29,650</u>
Balance at January 1, 2021	\$ (13,191)	(1,734)	(14,925)
Differences from foreign currency translations (net amount after taxes)	<u>(26,856)</u>	<u>-</u>	<u>(26,856)</u>
Unearned compensation for employees	-	895	895
Balance at June 30, 2021	<u>\$ (40,047)</u>	<u>(839)</u>	<u>(40,886)</u>

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Notes to the Consolidated Financial Statements

(15) Share-based payment transaction

a. Restricted stock for employees

On Jun. 24, 2020 and Jun. 25, 2019, the Company shareholders' meeting resolved to issue 3,000 thousand new shares with restricted employee rights to employees of the Company and Subsidiaries, as so resolved by the Board of Directors' meeting on Dec. 2, 2020 and Nov. 12, 2019, as follows:

1) The Company plans to issue new shares with restricted employee rights in 2020:

<u>Type</u>	FY 2020
	Conditions of Issuance
Grant date	Nov. 18, 2020
Grant shares	1,057,000
Vesting day	Dec. 31, 2020
	Dec. 31, 2021
	317,100 shares
	and
	739,900 shares

2) For the six months ended June 30, 2022 and 2021, the shares with restricted employee rights issued by the Company were as follows:

	Six Months Ended June 30	
	2022	2021
Beginning shares	-	813
Vested in the current period	-	(73)
Canceled in the current period	-	(30)
Ending shares	-	710

(1,000 shares)

As of June 30, 2022 and 2021, the Company had 15,466 thousand shares and

14,769 thousand shares of restricted employee rights stock vested, respectively.

b. JADARD TECHNOLOGY INC. -Employee stock option certificate

On June 7, 2021, the stockholders' meeting of JADARD approved the issuance of 10,519 thousand units of employee stock warrants, with each unit entitling the Company to subscribe for one common share.

As of June 30, 2022, JADARD had the following share-based payment transactions:

<u>Type</u>	<u>Shareholders' Meeting Date</u>	<u>Issuance date</u>	<u>Duration</u>	<u>Number of shares</u>	<u>Subscription price per share (RMB/\$)</u>
Employee Stock Option Plan for 2021	Jun.7, 2021	Jun.7, 2021	3 years	10,519,000	\$ 5.0

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The other subscribers may exercise their stock options in the following proportions from the time they are granted the employee stock option certificates :

2021 Employee stock options	
Grant Period	Exercisable options Ratio (cumulative)
June 7, 2022	50%
June 7, 2023	100%

The fair value of the share-based benefits at the date of grant was estimated using a binomial option valuation model with the following input values :

	2021 Employee stock options
Fair value at grant date (RMB\$)	\$ 4.66
Exercise price (RMB\$)	5.00
Expected volatility	60.00%
Duration of stock options	3years
Risk-free interest rate	3.05%

Information on the number and weighted-average exercise price related to the above employee stock option plans is shown in the table below :

	2021	
	Weighted average (RMB/\$)	Number of shares (thousands)
Outstanding at the beginning of the period	\$ 5.00	10,519
Given during the period	-	-
Forfeited during the period	-	-
Executed during the period	-	-
Outstanding at the end of the period	-	10,519
Executable at the end of the period		5,260

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Notes to the Consolidated Financial Statements

c. Employee expenses

The expenses incurred by the Consolidated Company in connection with share-based payments were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Expense generated from the issuance of restricted stock for employees	\$ -	200	-	665
Costs incurred in connection with the issuance of employee stock options	15,811	2,465	30,317	2,465
	<u>\$ 15,811</u>	<u>2,665</u>	<u>30,317</u>	<u>3,130</u>

(16) Earnings per share

The basic earnings per share and diluted earnings per share for the Consolidated Company were as follows:

a. Basic earnings per share

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Net income attributable to the equity holders of the ordinary shares of the Company	\$ 751,443	1,750,094	2,260,567	2,540,731
Weighted average number of the ordinary shares outstanding	186,176	165,479	186,176	165,469
Basic earnings per share (NT\$)	\$ 4.04	10.58	12.14	15.35

b. Diluted earnings per share

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Net income attributable to the equity holders of the ordinary shares of the Company	\$ 751,443	1,750,094	2,260,567	2,540,731

Fitipower Integrated Technology Inc. and Subsidiaries
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	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Weighted average number of the ordinary shares outstanding	186,176	165,479	186,176	165,469
Effect of the dilutive potential ordinary shares:				
— employee compensation	1,119	506	1,863	569
— restricted stock for employees which is not vested	-	46	-	46
Weighted average number of the ordinary shares outstanding (after the adjustment to the effect of dilutive potential ordinary shares)	<u>187,295</u>	<u>166,031</u>	<u>188,039</u>	<u>166,084</u>
Diluted earnings per share (NT\$)	<u>\$ 4.01</u>	<u>10.54</u>	<u>12.02</u>	<u>15.30</u>

(17) Contractual revenue

a. Details of the contractual revenue

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Major regional markets:				
Taiwan	\$ 693,128	559,718	1,489,732	975,164
China	3,850,603	3,614,038	8,104,175	5,808,425
Hong Kong	839,669	1,581,524	1,729,526	2,877,904
Japan	960	76,526	12,685	139,134
South Korea	492	8,099	1,787	14,456
Other countries	12,339	29,893	20,953	58,942
	<u>\$ 5,397,191</u>	<u>5,869,798</u>	<u>11,358,858</u>	<u>9,874,025</u>

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	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Main products/service lines:				
Display driver IC	\$ 4,621,109	4,914,390	9,818,590	8,197,509
Power management IC	752,030	950,545	1,509,338	1,659,684
Other	24,052	4,863	30,930	16,832
	\$ 5,397,191	5,869,798	11,358,858	9,874,025

b. Contract balances

Please refer to Note 6 (3) for the disclosure of accounts receivable and impairment.

(18) Compensation for employees and directors

Subject to the provisions of the Articles of Incorporation of the Company, not less than 5% of the annual profit shall be appropriated as remuneration to employees and not more than 1% of the annual profit shall be appropriated as remuneration to directors. However, where the Company has accumulated losses, the amount of the indemnity should be retained in advance. The foregoing employee remuneration may be in the form of shares or cash and may be paid to employees of a subordinate company who satisfy certain conditions. The remuneration of the directors noted above shall be payable in cash only. The first two items shall be resolved by the Board of Directors and reported to the shareholders' meeting.

For the three months ended June 30, 2022 and 2021 and the six months ended June 30, 2022 and 2021, the Company made no provision for directors' remuneration. The estimated amounts of employee compensation of \$53,792 thousand, \$109,592 thousand, \$151,010 thousand and \$155,469 thousand, respectively, were based on the Company's net profit before tax for each period before deducting employee and director compensation multiplied by the distribution percentages of employee compensation and director compensation as stipulated in the Company's Articles of Incorporation and was recognized as operating cost or operating expense for the three months ended June 30, 2022 and 2021 and the six months ended June 30, 2022 and 2021. If the actual distribution amount differs from the estimated amount in the following year, the difference is treated as a change in accounting estimate and recognized as profit or loss in the following year. If the Board of Directors resolves to distribute employee compensation in shares, the number of shares is calculated based on the closing price of the common stock on the day before the Board of Directors' resolution.

No provision for directors' emoluments was made by the Company for fiscal 2021 and 2020. The estimated amounts of employee compensation of \$369,675 thousand and \$38,787 thousand, respectively, were based on the Company's net income before taxation for the respective periods before deducting employee and director compensation multiplied by the employee compensation distribution percentages set forth in the Company's Articles of Incorporation and reported as operating costs or operating expenses in fiscal 2021 and 2020.

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Related information would be available at the Market Observation Post System website.

(19) Non-operating income and expenses

a. Interest income

The breakdowns of interest income of the Consolidated Company were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Bank deposit interests	\$ 17,919	12,597	26,642	23,965
Other interest income	9	5	17	15
Total interest income	\$ 17,928	12,602	26,659	23,980

b. Other income

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Income from government grants	\$ 1,562	28,692	5,657	29,374
Others	1,048	1,626	1,887	2,379
Total other income	\$ 2,610	30,318	7,544	31,753

c. Other gains and losses

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Proceeds from disposal of financial assets at fair value through profit	\$ 3,648	61	4,403	2,274
Foreign exchange profit (losses)	142,617	2,774	230,812	(21,188)
Profit (losses) on financial assets and liabilities measured at fair value through profit	(45,940)	1,151	(83,873)	770
Impairment loss	(183,365)	-	(183,365)	-
Others	(22,800)	1	(31,965)	(111)
Other gains and losses, net	\$ (105,840)	3,987	(63,988)	(18,255)

Fitipower Integrated Technology Inc. and Subsidiaries
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d. Financial costs

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Interest expenses	\$ (8,487)	(5,504)	(13,877)	(6,524)

(20) Financial instruments

Except as described below, there was no significant change in the fair value of the Consolidated Company's financial instruments and exposure to credit risk, liquidity risk and market risk due to financial instruments. For related information, see Note 6 (21) to the Consolidated Financial Statements for fiscal 2021.

a. Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount of credit risk exposure.

2) Concentration of credit risk

As the Consolidated Company has a large customer base, no significant concentration of transactions with a single customer is found and the sales territory is scattered, and there is no significant concentration of credit risk on accounts receivable. To reduce credit risk, the Consolidated Company also regularly assesses the financial position of its customers on an ongoing basis.

3) Credit risk on receivables

Please refer to Note 6 (3) for credit risk exposure information of receivables. Other financial assets measured at amortized cost including time deposits for over three months and other receivables are financial assets with low credit risk and therefore the allowance for losses for the period is measured at the expected credit loss amount for 12 months. (Please refer to Note 4 (7) to the Consolidated Financial Statements for fiscal 2021 for a description of how the Consolidated Company determines low credit risk).

No allowance for losses was provided for the six months ended June 30, 2022 and 2021.

b. Liquidity risk

The following table presents an analysis of the contractual maturities of financial liabilities, the amounts of which include estimated interest but exclude the effect of netting agreements.

	Book value	Contract cash flow	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
June 30, 2022							
Non-derivative financial liabilities							
Current borrowings	\$ 1,529,630	1,539,301	1,313,890	225,411	-	-	-
Accounts and notes payable	2,344,171	2,344,171	2,344,171	-	-	-	-
Dividends payable	3,164,997	3,164,997	3,164,997	-	-	-	-

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	Book value	Contract cash flow	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Other current liabilities	212,117	212,117	212,117	-	-	-	-
Lease liabilities							
(including current and non-current)	64,632	60,402	22,001	16,284	21,937	180	-
Guarantee Deposits received	161,735	161,735	161,735	-	-	-	-
	\$ 7,477,282	7,482,723	7,218,911	241,695	21,937	180	-
December 31, 2021							
Non-derivative financial liabilities							
Current borrowings	\$ 777,808	778,140	778,140	-	-	-	-
Accounts and notes payable	3,435,609	3,435,609	3,435,609	-	-	-	-
Other current liabilities	378,362	378,362	378,362	-	-	-	-
Lease liabilities							
(including current and non-current)	83,504	85,989	23,797	23,508	31,021	7,663	-
Guarantee Deposits received	165,706	165,706	165,706	-	-	-	-
	\$ 4,840,989	4,843,806	4,781,614	23,508	31,021	7,663	-
June 30, 2021							
Non-derivative financial liabilities							
Current borrowings	\$ 2,582,622	2,587,017	2,587,017	-	-	-	-
Accounts and notes payable	2,632,148	2,632,148	2,632,148	-	-	-	-
Accounts payable to related parties	160,831	160,831	160,831	-	-	-	-
Dividends payable	415,521	415,521	415,521	-	-	-	-
Other current liabilities	142,498	142,498	142,498	-	-	-	-
Lease liabilities	67,152	78,464	18,167	17,020	27,292	15,985	-
Guarantee Deposits received	157,970	157,970	157,970	-	-	-	-
	\$ 6,158,742	6,174,449	6,114,152	17,020	27,292	15,985	-

The Consolidated Company does not expect the realizing of cash flows is to be significantly earlier or the actual amounts are to be significantly different.

c. Exchange rate risk

1) Exposure of exchange risk

The Consolidated Company's financial assets and liabilities exposed to significant foreign currency exchange rate risk were as follows:

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	June 30, 2022			Dec. 31, 2021			June 30, 2021		
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 239,327	29.728	7,114,609	284,331	27.710	7,878,853	192,880	27.870	5,375,643
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	179,921	29.652	5,334,990	170,684	27.740	4,734,811	197,862	27.874	5,515,142

2) Sensitivity analysis

The Consolidated Company's exchange rate risk arises primarily from foreign currency-denominated cash and cash equivalents, accounts receivable and other receivables, other non-current assets, short-term borrowings, accounts payable and other payables, which result in foreign currency exchange gains or losses upon translation. For the six months ended June 30, 2022 and 2021, if the New Taiwan dollar had weakened or strengthened by 5% against the U.S. dollar on June 30, 2022 and 2021, with all other factors held constant, net income would have increased and decreased by \$71,230 thousand and \$5,580 thousand, respectively. The same basis of analysis was used for both periods.

Due to the variety of functional currencies of the Consolidated Company, information on exchange gains and losses on monetary items is presented on a consolidated basis. Foreign currency exchange profit or losses (including realized and unrealized) amounted to \$230,812 thousand of profit and \$21,188 thousand of losses for the six months ended June 30, 2022 and 2021, respectively.

d. Fair value information

1) Types and fair values of financial instruments

The Consolidated Company's financial assets at fair value through profit or loss are measured at fair value on a recurring basis. The carrying amounts and fair values of each class of financial assets and financial liabilities (including information on fair value hierarchy, except that if the carrying amount of a financial instrument that is not measured at fair value is a reasonable approximation of fair value, and for investments in equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured, disclosure of fair value information is not required) were presented below:

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	June 30, 2022				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Current financial assets at fair value through profit or loss					
	\$ 8,689,121	8,689,121	-	-	8,689,121

	June 30, 2022				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	4,915,556	-	-	-	-
Current financial assets at amortized cost	5,200	-	-	-	-
Notes receivable and accounts receivable (including the part from related parties)	4,351,168	-	-	-	-
Lease payments receivable (including current and non-current)	30,190	-	-	-	-
Other receivables	3,603	-	-	-	-
Guarantee deposits paid	2,614,677	-	-	-	-
Total	\$ 20,609,515	8,689,121	-	-	8,689,121

Current financial liabilities at fair value through profit or loss					
	\$ 711	711	-	-	711

Financial liabilities measured at amortized cost					
Current borrowings	\$ 1,529,630	-	-	-	-
Accounts and notes payable	2,344,171	-	-	-	-
Dividends payable	3,164,997	-	-	-	-
Other current liabilities	212,117	-	-	-	-
Lease liabilities (including current and non-current)	64,632	-	-	-	-
Guarantee deposits received	161,735	-	-	-	-
Total	\$ 7,477,993	711	-	-	711

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	Dec. 31, 2021				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Current financial assets at fair value through profit or loss	\$ 4,888,006	4,888,006	-	-	4,888,006
Financial assets measured at amortized cost					
Cash and cash equivalents	7,042,205	-	-	-	-
Current financial assets at amortized cost	560,200	-	-	-	-
Notes and accounts receivable (including the part from related parties)	5,012,327	-	-	-	-
Lease payments receivable (including current and non-current)	36,225	-	-	-	-
Other receivables	120,456	-	-	-	-
Guarantee deposits paid	1,626,948	-	-	-	-
Total	\$ 19,286,367	4,888,006	-	-	4,888,006

		Dec. 31, 2021				
		Book value	Fair value			
			Level 1	Level 2	Level 3	Total
Financial liabilities measured at						
amortized cost						
Current borrowings	\$	777,808	-	-	-	-
Accounts and notes payable		3,435,609	-	-	-	-
Other current liabilities		378,362	-	-	-	-
Lease liabilities (including						
current and non-current)		83,504	-	-	-	-
Guarantee Deposits received		165,706	-	-	-	-
Total	\$	4,840,989	-	-	-	-

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	June 30, 2021				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Current financial assets at fair					
value through profit or loss	\$ 2,730,749	2,730,749	-	-	2,730,749
Financial assets measured at					
amortized cost					
Cash and cash equivalents	3,294,790	-	-	-	-
Current financial assets at					
amortized cost	65,200	-	-	-	-
Accounts receivable (including					
the part from related parties)	4,538,290	-	-	-	-
Other receivables	82,590	-	-	-	-
Guarantee deposits paid	1,428,261	-	-	-	-
Total	<u>\$ 12,139,880</u>	<u>2,730,749</u>	<u>-</u>	<u>-</u>	<u>2,730,749</u>
Financial liabilities measured at					
amortized cost					
Current borrowings	\$ 2,582,622	-	-	-	-
Accounts and notes payable	2,632,148	-	-	-	-
Accounts payable to related					
parties	160,831	-	-	-	-
Dividends payable	415,521	-	-	-	-
Other current liabilities	142,498	-	-	-	-
Lease liabilities (including					
current and non-current)	67,152	-	-	-	-
Guarantee Deposits received	157,970	-	-	-	-
Total	<u>\$ 6,158,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques and assumptions used to measure fair value

Where there is a quoted price in an active market for a financial instrument, the fair value is based on the quoted price in the active market. The quoted price of a financial instrument obtained from main exchanges and on-the-run securities from Taipei Exchange can be used as a basis to determine the fair value of the exchange-listed/OTC-listed companies' equity instrument and debt instrument with active market quotations.

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A financial instrument has an active market for public quotations if public quotations of the financial instrument are obtained from an exchange, broker, underwriter, industry association, pricing service or competent authority in a timely manner and on a regular basis, and if the price represents an actual and frequent arm's length transaction. If these conditions are not met, the market is considered inactive. Generally speaking, a very wide bid-ask spread, a significant increase in the bid-ask spread or a very low trading volume are all indicators of an inactive market.

Except for the above-mentioned financial instruments with active markets, the fair values of the remaining financial instruments are obtained using valuation techniques or by reference to quoted prices from counterparties. The fair value obtained through valuation techniques may be calculated by reference to the current fair value of other financial instruments with substantially similar terms and characteristics, by discounted cash flow techniques or by applying models using other valuation techniques, including market information available at the date of the consolidated balance sheet (e.g., Taipei Exchange refers to the yield curve, Reuters average commercial paper rate quotes).

(21) Financial risk management

The Consolidated Company's financial risk management objectives and policies have not changed significantly from those disclosed in the consolidated financial statements for fiscal 2021. For related information, see Note 6 (22) to the Consolidated Financial Statements for fiscal 2021.

(22) Capital management

The Consolidated Company's capital management objectives, policies and procedures are consistent with those disclosed in the consolidated financial statements for fiscal 2021, and there have been no material changes to the aggregated quantitative information for capital management items from those disclosed in the consolidated financial statements for fiscal 2021. For related information, see Note 6 (23) to the Consolidated Financial Statements for fiscal 2021.

(23) Investment and financing activities by non-cash transactions

The Consolidated Company's investment and financing activities in non-cash transactions for the six months ended June 30, 2022 and 2021 were as follows:

- a. Right-of-use assets acquired by lease, please refer to Note 6 (7).
- b. The reconciliation of liabilities from financing activities was as follows:

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			Non-cash changes		
	January 1, 2022	Cash flow	Change in exchange rate	Other	June 30, 2022
Current borrowings	\$ 777,808	751,822	-	-	1,529,630
Lease liabilities (including current and non-current)	83,504	(23,554)	635	4,047	64,632
Guarantee Deposits received	165,706	(9,522)	5,551	-	161,735
Total liabilities from financing activities	<u>\$ 1,027,018</u>	<u>718,746</u>	<u>6,186</u>	<u>4,047</u>	<u>1,755,997</u>

			Non-cash changes		
	January 1, 2021	Cash flow	Change in exchange rate	Other	June 30, 2021
Current borrowings	\$ -	2,582,622	-	-	2,582,622
Lease liabilities (including current and non-current)	70,979	(17,223)	(414)	13,810	67,152
Guarantee deposits received	99,798	58,247	(75)	-	157,970
Total liabilities from financing activities	<u>\$ 170,777</u>	<u>2,623,646</u>	<u>(489)</u>	<u>13,810</u>	<u>2,807,744</u>

Fitipower Integrated Technology Inc. and Subsidiaries
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7. Related-party Transactions

(1) Name and relationship of related parties

The related parties with whom the consolidated company had transactions during the period covered by these consolidated financial statements are as follows:

Name of related party	Relationship with the consolidated company
Hon Hai Precision Industry Co., Ltd. (Hon Hai Precision)	It has significant influence on the Company
Fitipower Environmental Sustainability Foundation (Fitipower Foundation)	Other related party
Hongfutai Precision Electronics (Yantai) Co., Ltd. (Hongfutai (Yantai))	Other related party
Foxconn Interconnect Technology Limited Taiwan Branch (Cayman)	Other related party
Hongfujin Precision Industry (Wuhan) Co., Ltd.	Other related party
Ambit Microsystems (Shanghai) Co., Ltd. (Renamed Fulina Ambit (Shanghai) Microsystems Co., Ltd. in February 2022.)	Other related party
Shenzhen Fu Tai Hong Precision Industrial Co., Ltd.	Other related party
Shenzhen Fugui Precision Industry Co., Ltd. (Renamed Shenzhen Fulian Fugui Precision Industry Co., Ltd. in November 2021.)	Other related party
Hongfujin Precision Electronics (Chongqing) Co., Ltd.	Other related party
Hongfujin Precision Electronics (Yantai) Co., Ltd.	Other related party
Nanning Fugui Precision Industry Co., Ltd. (Renamed Nanning Fulian Fugui Precision Industry Co., Ltd.)	Other related party
Hongfujin Precision Industry (Zhengzhou) Co., Ltd.	Other related party
Kunshan Fuchengke Precision Electronical Co., Ltd. (Kunshan Fuchengke)	Other related party
Socle Technology Corp. (Socle Technology)	Other related party
CLOUD NETWORK TECHNOLOGY SINGAPORE(CLOUD NETWORK)	Other related party
FIH (HONG KONG) LIMITED	Other related party
Hongfujin Precision Industry (Shenzhen) Co., Ltd. (Hongfujin (Shenzhen))	Other related party
ECMMS PRECISION SINGAPORE PTE. LTD.	Other related party
Chiun Mai Communication Systems, Inc.	Other related party
Futaijing Precision Electron (Beijing) Co., Ltd.	Other related party

(2) Significant transactions with related parties

a. Operating revenue

The consolidated company's significant sales to related parties were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Hon Hai Precision	\$ 637	4,505	1,225	4,895
Hongfutai (Yantai)	16,293	42,206	23,029	56,658
Kunshan Fuchengke	6,315	12,516	26,621	24,992
CLOUD NETWORK	18,174	6,022	40,687	14,991
Other related party	23,759	84,190	40,836	133,855
	<u>\$ 65,178</u>	<u>149,439</u>	<u>132,398</u>	<u>235,391</u>

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The sales terms applicable to consolidated company's sales to other related parties are not significantly different from the normal sales prices, and the contracted credit period is 90 days from the date of acceptance. The receivables from related parties are not covered by collaterals and are not subject to prepare an allowance for loss.

b. Accounts receivable from related parties

Accounts receivable by the Consolidated Company to related parties were as follows:

Listed as	Type of the related party	June 30, 2022	Dec. 31, 2021	June 30, 2021
Accounts receivable	Hon Hai Precision	\$ 933	10,000	4,642
Accounts receivable	Hongfutai (Yantai)	20,537	29,668	43,806
Accounts receivable	CLOUD NETWORK	29,391	21,387	8,612
Accounts receivable	Kunshan Fuchengke	18,422	19,468	18,902
Accounts receivable	Other related party	37,868	80,658	106,123
Other receivables	Socle Technology	387	387	-
		\$ 107,538	161,568	182,085

c. Purchase

The Consolidated Company's purchases from related parties were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Other related party				
— Socle Technology	\$ -	354,264	-	843,911

The Consolidated Company's purchase price from the above company is not significantly different from that of general vendors. The payment terms are 45 days, which are not significantly different from those of other vendors.

d. Accounts payable to related parties

Accounts payable by the Consolidated Company to related parties were as follows:

Listed as	Type of the related party	June 30, 2022	Dec. 31, 2021	June 30, 2021
Other payables	Socle Technology	\$ -	-	1,046
Accounts payable	Socle Technology	-	-	159,785
		\$ -	-	160,831

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e. Property transaction

Details of purchasing of mask from related parties were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Socle Technology	\$ -	3,553	-	9,841

As of June 30, 2022, December 31, 2021 and June 30, 2021, the outstanding amounts of the above transactions were \$0 thousand, \$0 thousand and \$1,046 thousand, respectively, recorded as accounts payable to related parties.

f. Donation expense

As of June 30, 2022, the consolidated company donated \$20,000 thousand to Fitipower Foundation, and the expense was recognized as part of the operating expenses.

(3) Transactions related to key management personnel

Key management personnel compensation includes:

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Short-term employee benefits	\$ 32,973	13,000	48,786	25,647
Post-employment benefits	35	54	70	108
	\$ 33,008	13,054	48,856	25,755

8. Pledged Assets

The carrying amounts of assets pledged by the Consolidated Company were as follows:

Name of assets	Secured object	June 30, 2022	Dec. 31, 2021	June 30, 2021
Current financial assets at amortized cost (Time deposits)	Providing creditors with collateral for import transactions	\$ -	-	60,000
Current financial assets at amortized cost (Time deposits)	Customs Margin	200	200	200
		\$ 200	200	60,200

9. Significant Contingent Liabilities and Unrecognized Contractual Commitments

- (1) As of June 30, 2022, December 31, 2021 and June 30, 2021, the Consolidated Company had \$5,199,910 thousand, \$4,344,240 thousand and \$3,224,468 thousand, respectively, of guarantee deposit notes issued to obtain short-term loan facilities.

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- (2) JADARD TECHNOLOGY INC. (hereinafter referred to as JADARD TECHNOLOGY INC.), a subsidiary of the Consolidated Company, 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 CSRC, the Shanghai Stock Exchange and other securities regulatory authorities, JADARD TECHNOLOGY INC., the Controlling Shareholders and their concert parties are required to give relevant undertakings. Information on related commitments can be found on the Market Observation Post System.
- (3) A subsidiary of the Consolidated Company, JADARD TECHNOLOGY INC., entered into a capacity reservation contract on December 30, 2021 with the Company. The amount of the guarantee deposit due is \$2,210,663 thousand (RMB508,900 thousand) and the outstanding amount is \$1,331,700 thousand (RMB300,000 thousand) as of June 30, 2022.

10. Losses due to major disasters: None.

11. Subsequent events: None.

12. Others

- (1) The employee benefits, depreciation and amortization expense were summarized as follows:

Function Nature	Three Months Ended June 30					
	2022			2021		
	Belonging to operating cost	Belonging to operating expense	Total	Belonging to operating cost	Belonging to operating expense	Total
Employee benefit expenses						
Payroll expenses	20,988	638,396	659,384	12,552	353,084	365,636
Labor/Health insurance expenses	1,331	30,255	31,586	835	17,695	18,530
Pension expenses	660	17,424	18,084	494	12,424	12,918
Compensation of directors	-	276	276	-	183	183
Other employee benefit expenses	602	12,369	12,971	459	9,945	10,404
Depreciation expenses	17,255	60,224	77,479	11,634	37,236	48,870
Amortization expenses	-	16,126	16,126	-	5,495	5,495

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Function Nature	Six Months Ended June 30					
	2022			2021		
	Belonging to operating cost	Belonging to operating expense	Total	Belonging to operating cost	Belonging to operating expense	Total
Employee benefit expenses						
Payroll expenses	41,364	1,153,974	1,195,338	25,406	729,994	755,400
Labor/Health insurance expenses	2,285	48,890	51,175	1,558	32,805	34,363
Pension expenses	1,321	33,819	35,140	965	23,593	24,558
Compensation of directors	-	558	558	-	318	318
Other employee benefit expenses	1,305	25,896	27,201	939	19,638	20,577
Depreciation expenses	34,297	116,674	150,971	20,751	73,117	93,868
Amortization expenses	-	29,512	29,512	18	10,256	10,274

(2) Seasonality of operations:

The Consolidated Company's product sales follow the consumer electronics industry cycle and are subject to seasonal fluctuations due to end-market demand.

13. Supplementary Disclosures

(1) Information on Significant Transactions

Information on significant transactions required to be disclosed by the consolidated company in accordance with the Guidelines for the Preparation of Financial Statements for the six months ended June 30, 2022 was as follows:

- a. Lending of funds to others: None.
- b. Provision of endorsement/guarantee:

Unit: NT\$ thousands

No. (Note 1)	Endorser Company Name	Endorsee Company Name	Relationship (Note 2)	For a single company Endorsement Guarantee Limit	The highest endorsement in this issue Guaranteed Balance	End-of-Term Memorization Guaranteed Balance	Actual Spending Amount	Guaranteed by Property Endorsement Guarantee Amount	Ratio of accumulated endorsement guarantee amount to net worth of the most recent financial statements	Endorsement Guarantee Maximum Limit	Parent Company for Subsidiaries Endorsement Guarantee	Subsidiary for the Parent Company Endorsement Guarantee	Endorsement Guarantee for A Business in Mainland China
1	Jadard Technology INC.	Hefei Jadard	2	1,848,981	178,320	178,320	-	-	1.19%	2,773,472	Y	N	Y

Note 1: The number field should be completed as follows:

1. Enter 0 for the issuer.
2. The investees are numbered by company, starting with the Arabic numeral 1.

Note 2: The relationship between the party making endorsements and/or guarantees and the party to whom the endorsements and/or guarantees is made is as follows:

1. The companies with which it has business relations;
2. A company in which the Company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50% of the voting shares in the Company.

Note 3: The aggregate endorsement/guarantee amount of Jadard Technology Inc. is limited to 60% of the net worth as stated in its most recent financial statements audited or reviewed by CPAs.

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Note 4: The amount of the endorsements/guarantees made by Jadard Technology Inc. for any single entity shall be capped at 40% of the above net worth.

Note 5: Upon approval by the shareholders meeting, the subsidies in which Jadard Technology Inc. directly and indirectly holds 100% of the voting shares are exempt from the aforementioned net worth limit regarding the ceilings on the amounts they are permitted to make in endorsements/guarantees.

c. Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures):

Unit: NT\$ thousands/ thousand shares

Holding Company	Type and name of marketable securities	Relationship with the issuer of the marketable securities	Financial statement account	End of the Period				Note
				Shares	Carrying value	Shareholding percentage	Fair value	
Jadard Technology INC.	ChongDien Microelectronics Limited	-	Current financial assets at fair value through profit or loss	-	-	15.00 %	-	
The Company	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	289,235	3,962,895	-	3,962,895	
The Company	Jih Sun Money Market Fund	-	Current financial assets at fair value through profit or loss	139,520	2,094,276	-	2,094,276	
The Company	Franklin Templeton Sinoam Money Market Fund	-	Current financial assets at fair value through profit or loss	69,891	731,758	-	731,758	
The Company	FSITC Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	72,715	1,126,834	-	1,126,834	
The Company	Union Money Market Fund	-	Current financial assets at fair value through profit or loss	57,887	773,267	-	773,267	

d. Acquisition or sale of the same securities with the accumulated cost reaching NT\$300 million or 20% of paid-in capital or more:

Unit: NT\$ thousands/ thousand shares

Name of Company	Types and Names of Marketable Securities	Financial statement account	Transaction counterparty	Relationships	Beginning balance		Acquisition		Sale				Ending balance	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Price	Cost	Gain(loss)	Number of shares	Amount
The Company	Beneficiary Certificate - Taishin 1699 Money Market Fund	Current financial assets at fair value through profit or loss	-	-	114,994	1,572,962	243,558	3,332,000	69,317	949,300	947,674	1,626	289,235	3,962,895
The Company	Beneficiary Certificate - Jih Sun Money Market Fund	Current financial assets at fair value through profit or loss	-	-	162,230	2,431,362	32,077	481,000	54,787	822,000	820,160	1,840	139,520	2,094,276
The Company	Beneficiary certificate - Union Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	57,887	773,267	-	-	-	-	57,887	773,267
The Company	Beneficiary Certificate - FSITC Taiwan Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	101,964	1,578,000	29,249	453,000	452,529	471	72,715	1,126,834
The Company	Investment in the stock of a company not listed or traded O-T-C	Investment accounted for using the equity method	Pu Yu Investment	Subsidiary	-	-	50,000	500,000	-	-	-	-	50,000	500,030

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- e. Acquisition of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None.
- f. Disposal of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None.
- g. Purchase or sale of goods with related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- h. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- i. Engaged in derivatives trading: None.
- j. Business relationships, significant transactions, and amount between the parent company and subsidiaries and between subsidiaries:

No.	Name of company	Name of counter-party	Nature of relationship	Conditions of transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	Hefei Jadard	Jadard Technology Limited Taiwan Branch	3	Sales revenue	302,312	120 days for monthly checkout	2.66%
1	Hefei Jadard	Jadard Technology Limited	3	Sales revenue	312,332	120 days for monthly checkout	2.75%
1	Hefei Jadard	Jadard Technology INC.	2	Sales revenue	948,865	120 days for monthly checkout	8.35%
1	Hefei Jadard	Jadard Technology INC.	2	Accounts receivable	350,684	120 days for monthly checkout	1.36%

Note 1. The numeral system shall be filled in as follows:

1. Fill in 0 as parent company.
2. Subsidiaries are numbered by company type starting with the Arabic numeral 1.

Note 2. There are 3 types of relationship with the counterparty:

1. Parent to subsidiary
2. Subsidiary to parent
3. Subsidiary to subsidiary

Note 3. The amount of the above disclosure criteria is based on the amount of consolidated total assets exceeding 1% for assets and liabilities and the amount of consolidated total revenue exceeding 1% for profit and loss. The above related party transactions have been written-off in the preparation of the consolidated financial statements.

(2) Information on Investees:

Information on the consolidated companies' re-investments for the six months ended June 30, 2022 is as follows (excluding the investee companies in China):

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Unit: NT\$ thousands/ thousand shares

Investor Company	Investee Company	Location	Main businesses	Original investment amount		Balance as of June 30, 2022			Net income (loss) of the investee	Share of profit/loss of investee	Remark
				End of the period	End of last year	Thousand shares	Percentage of ownership	Book value			
The Company	Trade Logic	BVI	Investment	302,296	302,296	30	100.00%	2,786,845	384,451	384,451	Note
Trade Logic	Ever Harvest	Samoa	Investment	302,296	302,296	10,000	100.00%	2,786,845	384,451	384,451	Note
The Company	Visual Sensing Technology	Hsinchu City	IC design	145,000	145,000	11,500	83.35%	45,629	(41,651)	(38,601)	Note
Jadard Technology INC.	Jadard Technology Limited	HK	General trade	270,264	270,264	9,200	100.00%	616,382	63,732	63,732	Note
The Company	Pu Yu Investment	Taipei City	Investment	500,000	-	50,000	100.00%	500,030	30	30	Note

Note: The Company's subsidiaries over which the Company has control and the long-term investments in consolidated entities have been write-off.

(3) Information on Investments in Mainland China:

- a. Name and main business items of the investee company in Mainland China and other related information:

Unit: NT\$ thousands

Investee Company	Main businesses	Paid-in capital	Method of investment (Note)	Beginning balance of accumulated outflow of investment from Taiwan	Remittance or recovery of investment amount in the current period		Ending balance of accumulated outflow of investment from Taiwan	Net income (loss) of the investee	The Company's percentage of ownership directly or indirectly	Investment gains (losses) recognized in the current period (Note 2)	Carrying amount as of the end	Ending balance of accumulated inward remittance of earnings
					Outflow	Inflow						
Jadard Technology INC.	IC design	1,595,055 (Note 3)	(1)	302,296	-	-	302,296	628,689	61.15%	384,451	2,786,845	-
Hefei Jadard	Supply chain management	224,523 (Note 4)	(2)	-	-	-	-	1,302	61.15%	796	357,695	-
Xiamen Jadard	Supply chain management	4,344 (Note 5)	(2)	-	-	-	-	(899)	61.15%	(550)	2,614	-

Note 1: There are two types of investment methods that can be labeled as follows:

- (1) Reinvestment in mainland China companies through re-investment in existing companies in third regions (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 income or loss is calculated on the reviewed financial statements in the same period.

Note 3: The paid-in capital was RMB 365,000 thousand, which was converted to NT\$1,595,055 thousand at the exchange rate at the time of investment.

Note 4: The paid-in capital was RMB 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 RMB 1,000 thousand, which was converted to NT\$4,344 thousand at the exchange rate at the time of investment.

b. Investment Limit to Mainland China:

Accumulated investment remitted from Taiwan to Mainland China at the end of the period	Investment amounts authorized by MOEAIC	Upper limit on investment authorized by MOEAIC
302,296	302,296	9,008,758

Note: Amend the investment limit in China according to letter no.

Tai-wan-shen-tzu-09704604680 issued on August 29, 2008.

c. Significant transactions with Mainland China investees:

For significant direct or indirect transactions between the consolidated company and its investees in Mainland China (which were writ-off at the time the statement was prepared), please refer to the description of "Information on Significant Transactions".

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(4) Information on Major Shareholders:

Unit: share

Name of major shareholder	Share	Number of shares currently held	Shareholding percentage
Bao Shin International Investments Co., Ltd.		14,140,052	7.57%
Hyield Venture Capital Co., Ltd.		13,213,984	7.08%
Hon Chi International Investment Co., Ltd.		10,100,037	5.41%

14. Operating Segment Information

There is only one reportable operating segment of the consolidated company, which is mainly engaged in research and development and production and sales of integrated circuits. Related 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.