

**Fitipower Integrated Technology Inc.
and Subsidiaries**

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

For the Years Ended December 31, 2022 and 2021

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Representation Letter

The entities that are required to be included in the consolidated financial statements of Fitipower Integrated Technology Inc. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No.10 “Consolidated Financial Statements.” In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Fitipower Integrated Technology Inc. and Subsidiaries do not prepare a separate set of consolidated financial statements.

Very truly yours,

Company : Fitipower Integrated Technology Inc.

Chairman : Lin, Yung-Chieh

Date : February 23, 2023

Independent Auditors' Report

To the Board of Directors of
Fitipower Integrated Technology Inc.

Opinion

We have audited the consolidated financial statements of Fitipower Integrated Technology Inc. and its subsidiaries (“the Group”), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basic for Opinion

We conducted our audits in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statement section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters

described below to be the key audit matters to be communicated in our report.

1. Inventory valuation

Please refer to Note 4(8) to the consolidated financial statements for the accounting policies related to inventories; Note 5 to the consolidated financial statements for the accounting estimates, assumptions and uncertainties related to inventory valuation; and Note 6(4) to the consolidated financial statements for the disclosure of inventories.

Description of the key audit matter:

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

How the matter was addressed in our audit:

For the valuation of inventories, we observed the physical count of inventories at the year end to inspect the condition of inventories; reviewed the inventory aging report and analyze the turnover rate and changes in inventory aging from period to period to assess the reasonableness of the accounting policies; understood the sales prices used by management for valuation, reviewed the post-period sales status and evaluated the net realizable value basis used by management to verify the policy of the valuation of inventory allowances.

2. Revenue recognition

Please refer to Note 4(14) to the consolidated financial statements for the accounting policy of revenue recognition and Note 6(19) to the consolidated financial statements for the details of sales revenue.

Description of the key audit matter:

The major business activities of the Group are the manufacture and sale of integrated circuits. The Group also offers research and development services with respect to the products presented above. Revenue recognition is a key indicator for investors and management to evaluate financial or business performance. Therefore, revenue recognition is also a significant concern for us in

performing our audits of the consolidated financial statements.

How the matter was addressed in our audit:

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

Other matters

Fitipower Integrated Technology Inc. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Report by Securities Issuers and IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the

Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial statements. We are responsible for the direction, supervision and performance of the consolidated audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant

ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

KPMG

Taipei, Taiwan (Republic of China)

February 23, 2023

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Fitipower Integrated Technology Inc. and Subsidiaries

Consolidated Balance Sheet

As of December 31, 2022 and December 31, 2021

Unit: NT\$ thousands

Assets		December 31, 2022		December 31, 2021				December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:											
1100	Cash and cash equivalents (Note 6 (1))	\$ 6,758,947	27	7,042,205	29	2100	Current borrowings (Note 6 (12))	\$ 220,734	1	777,808	3
1110	Current financial assets at fair value through profit or loss (Note 6 (2))	9,642,472	38	4,888,006	20	2120	Current financial liabilities at fair value through profit or loss (Note 6 (2))	1,306	-	-	-
1136	Current financial assets at amortized cost (Note 6 (1) and (12))	200	-	560,200	2	2130	Current contract liabilities	133,496	1	84,454	-
1170	Notes and accounts receivable, net (Note 6 (3))	2,569,838	10	4,851,146	20	2170	Notes and accounts payable (Note 7)	1,891,917	7	3,435,609	14
1181	Accounts receivable due from related parties, net (Note 6 (3) and Note 7)	89,495	-	161,181	1	2230	Current tax liabilities	800,658	3	1,287,878	5
1175	Lease payments receivable	12,828	-	12,219	-	2280	Current lease liabilities (Note 6 (13))	32,536	-	46,273	-
1200	Other receivables (Note 7)	72,238	-	120,456	-	2399	Other current liabilities (Note 6 (11))	<u>985,140</u>	<u>4</u>	<u>1,072,695</u>	<u>5</u>
130X	Current inventories, net (Note 6 (4))	2,506,847	10	3,338,389	14			<u>4,065,787</u>	<u>16</u>	<u>6,704,717</u>	<u>27</u>
1410	Prepayments and other current assets (Note 6 (5))	<u>165,506</u>	<u>2</u>	<u>548,847</u>	<u>3</u>						
		<u>21,818,371</u>	<u>87</u>	<u>21,522,649</u>	<u>89</u>						
Non-current assets:						2570	Deferred tax liabilities (Note 6 (15))	71,251	-	373	-
1600	Property, plant and equipment (Note 6 (8))	1,054,976	4	664,800	3	2580	Non-current lease liabilities (Note 6 (13))	8,633	-	37,231	-
1755	Right-of-use assets (Note 6 (9))	40,835	-	81,543	-	2645	Guarantee Deposits received	<u>166,277</u>	<u>1</u>	<u>165,706</u>	<u>1</u>
1780	Intangible assets (Note 6 (10))	83,883	-	247,101	1			<u>246,161</u>	<u>1</u>	<u>203,310</u>	<u>1</u>
1840	Deferred tax assets (Note 6 (15))	51,363	-	37,120	-		Total liabilities	<u>4,311,948</u>	<u>17</u>	<u>6,908,027</u>	<u>28</u>
1900	Other non-current assets (Note 6 (11))	2,394,852	9	1,715,323	7		Equity: (Note 6 (6), (7), (16) and (17))				
1935	Long-term lease payments receivable	<u>11,177</u>	<u>-</u>	<u>24,006</u>	<u>-</u>	3110	Capital stock	<u>1,865,453</u>	<u>7</u>	<u>1,865,453</u>	<u>8</u>
		<u>3,637,086</u>	<u>13</u>	<u>2,769,893</u>	<u>11</u>	3200	Capital surplus	<u>8,615,095</u>	<u>34</u>	<u>6,986,364</u>	<u>29</u>
							Retained earnings :				
						3310	Legal reserve	853,945	3	268,720	1
						3320	Special reserve	43,782	-	13,192	-
						3350	Unappropriated retained earnings	<u>6,054,591</u>	<u>24</u>	<u>6,765,097</u>	<u>28</u>
								<u>6,952,318</u>	<u>27</u>	<u>7,047,009</u>	<u>29</u>
						3400	Other equity	<u>(28,704)</u>	<u>-</u>	<u>(43,782)</u>	<u>-</u>
						3500	Treasury stock	<u>(9,449)</u>	<u>-</u>	<u>(9,449)</u>	<u>-</u>
							Total equity attributable to owners of parent	17,394,713	68	15,845,595	66
						36XX	Non-controlling interest	<u>3,748,796</u>	<u>15</u>	<u>1,538,920</u>	<u>6</u>
							Total equity	<u>21,143,509</u>	<u>83</u>	<u>17,384,515</u>	<u>72</u>
Total assets		<u>\$ 25,455,457</u>	<u>100</u>	<u>24,292,542</u>	<u>100</u>		Total liabilities and equity	<u>\$ 25,455,457</u>	<u>100</u>	<u>24,292,542</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

Fitipower Integrated Technology Inc. and Subsidiaries**Consolidated Statement of Comprehensive Income****For the years ended December 31, 2022 and 2021****Unit: NT\$ thousands**

		2022		2021	
		Amount	%	Amount	%
4111	Operating revenue (Note 6 (19) and Note 7)	\$ 19,680,425	100	22,868,238	100
5000	Operating cost (Note 6 (4) (11), Note 7 and Note 12)	12,535,400	64	12,204,261	53
	Gross profit from operations	7,145,025	36	10,663,977	47
	Operating expense: (Note 6 (3) (11) (13) (14) (17) (20), Note 7 and Note 12)				
6100	Selling expense	409,600	2	386,959	2
6200	Administration expense	430,723	2	385,064	2
6300	Research and development expense	2,442,571	12	2,168,797	9
6450	Impairment loss	(6,689)	-	6,040	-
		3,276,205	16	2,946,860	13
	Net operating income	3,868,820	20	7,717,117	34
	Non-operating income and expense: (Note 6 (10) (13) and (21))				
7100	Interest income	84,410	-	48,763	-
7010	Other income	31,430	-	50,205	-
7020	Other gains and losses, net	(4,924)	-	(17,229)	-
7050	Financial costs, net	(23,329)	-	(12,306)	-
		87,587	-	69,433	-
	Income before income tax	3,956,407	20	7,786,550	34
7951	Less: Income tax expense (Note 6 (15))	687,222	3	1,396,915	6
	Net income	3,269,185	17	6,389,635	28
8300	Other comprehensive income:				
8360	Components of other comprehensive income that will be reclassified to profit or loss (Note 6 (15))				
8361	Exchange differences on translation	167,796	1	3,261	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	3,864	-	(7,689)	-
	Total components of other comprehensive income that will be reclassified to profit or loss	163,932	1	10,950	-
8300	Total other comprehensive income	163,932	1	10,950	-
	Total comprehensive income	\$ 3,433,117	18	6,400,585	28
	Net income attributable to:				
	Shareholders of the parent	\$ 3,070,306	16	5,852,244	26
8620	Non-controlling interest	198,879	1	537,391	2
		\$ 3,269,185	17	6,389,635	28
	Total comprehensive income attributable to:				
	Shareholders of the parent	\$ 3,085,384	16	5,821,653	25
	Non-controlling interest	347,733	2	578,932	3
		\$ 3,433,117	18	6,400,585	28
	Earnings per share (Unit: NT\$1) (Note 6 (18))				
	Basic earnings per share	\$ 16.49		33.83	
	Diluted earnings per share	\$ 16.31		33.57	

(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)

Fitipower Integrated Technology Inc. and Subsidiaries

Consolidated Statement of Changes in Equity

For the years ended December 31, 2022 and 2021

Unit: NT\$ thousands

	Equity attributed to the owners of the parent company										
							Other equity items				
	Retained earnings					Exchange difference on translation of foreign financial statements	Unearned compensation for employees	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						
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	-	-	-	-	5,852,244	-	-	-	5,852,244	537,391	6,389,635
Other comprehensive income in 2021, net of income tax	-	-	-	-	-	(30,591)	-	-	(30,591)	41,541	10,950
Total comprehensive income in 2021	-	-	-	-	5,852,244	(30,591)	-	-	5,821,653	578,932	6,400,585
Appropriation of retained earnings:											
Legal reserve appropriated	-	-	66,558	-	(66,558)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(11,214)	11,214	-	-	-	-	-	-
Cash dividends of ordinary share	-	(28)	-	-	(415,521)	-	-	-	(415,549)	-	(415,549)
Issue of shares	200,000	4,900,000	-	-	-	-	-	-	5,100,000	-	5,100,000
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(4,265)	-	-	-	-	-	-	(4,265)	-	(4,265)
Compensation cost of share-based payment transactions	-	25,520	-	-	-	-	-	-	25,520	-	25,520
Compensation cost of restricted stock awards	-	341	-	-	-	-	1,734	-	2,075	-	2,075
Write-off of restricted stock awards	(427)	427	-	-	-	-	-	-	-	-	-
Balance at December 31, 2021	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	-	-	-	-	3,070,306	-	-	-	3,070,306	198,879	3,269,185
Other comprehensive income in 2022, net of income tax	-	-	-	-	-	15,078	-	-	15,078	148,854	163,932
Total comprehensive income in 2022	-	-	-	-	3,070,306	15,078	-	-	3,085,384	347,733	3,433,117
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)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	1,628,731	-	-	-	-	-	-	1,628,731	(1,636,704)	(7,973)
Cash dividends of Non-controlling interests	-	-	-	-	-	-	-	-	-	3,498,847	3,498,847
Balance at December 31, 2022	<u>\$ 1,865,453</u>	<u>8,615,095</u>	<u>853,945</u>	<u>43,782</u>	<u>6,054,591</u>	<u>(28,704)</u>	<u>-</u>	<u>(9,449)</u>	<u>17,394,713</u>	<u>3,748,796</u>	<u>21,143,509</u>

(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 years ended December 31, 2022 and 2021****Unit: NT\$ thousands**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Income before income tax	\$ 3,956,407	7,786,550
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	331,080	214,300
Amortization expense	60,965	25,018
Expected credit loss (gain on reversal)	(6,689)	6,040
Net loss (profit) on financial assets and liabilities at fair value through profit	93,071	(10,792)
Interest expense	23,329	12,306
Interest income	(84,410)	(48,763)
Share-based payment	15,930	66,992
Loss on the disposal of property, plant and equipment	813	884
Inventory valuation and disposal loss	266,234	52,863
Other operating costs	96,857	-
Impairment loss	183,365	-
Total adjustments to reconcile profit (loss)	<u>980,545</u>	<u>318,848</u>
Changes in operating assets and liabilities:		
Decrease (increase) in lease payments receivable	12,220	(36,225)
Decrease (increase) in accounts receivable	2,359,683	(3,330,772)
Decrease (increase) in other receivables	49,544	(3,641)
Decrease (increase) in inventory	565,308	(1,968,779)
Decrease (increase) in prepayments and other current assets	383,341	(392,265)
Increase (decrease) in accounts payable	(1,538,776)	1,185,871
Increase in contract liabilities	49,042	37,102
Increase (decrease) in other current liabilities	(181,427)	614,261
Total changes in operating assets and liabilities	<u>1,698,935</u>	<u>(3,894,448)</u>
Cash inflow generated from operations	6,635,887	4,210,950
Interest received	85,017	48,258
Interest paid	(22,561)	(12,111)
Income taxes paid	(1,061,572)	(214,877)
Net cash inflow from operating activities	<u>5,636,771</u>	<u>4,032,220</u>
Cash flow from investing activities :		
Acquisition of financial assets at fair value through profit or loss	(17,578,602)	(9,105,000)
Proceeds from disposal of financial assets at fair value through profit or loss	12,732,371	6,387,508
Decrease (increase) in acquisition of financial assets at amortized cost	560,000	(465,200)
Acquisition of property, plant and equipment	(668,459)	(510,349)
Proceeds from disposal of property, plant and equipment	-	43
Acquisition of intangible assets	(80,031)	(34,590)
Increase in refundable deposits	(703,249)	(1,599,056)
Increase in other non-current assets	(73,217)	(17,655)
Net cash outflow in investing activities	<u>(5,811,187)</u>	<u>(5,344,299)</u>
Cash flow from financing activities:		
Increase (decrease) in current borrowings	(557,074)	777,808
Increase (decrease) in guarantee deposits received	(5,708)	66,010
Payments of lease liabilities	(49,502)	(42,298)
Issuance of cash dividends	(3,164,997)	(415,549)
Proceeds from issuing shares	-	5,100,000
Proceeds from issuing shares by non-controlling interests	3,498,847	-
Net cash inflow (outflow) from financing activities	<u>(278,434)</u>	<u>5,485,971</u>
Effects of exchange rate changes on cash and cash equivalents	169,592	4,688
Net increase in cash and cash equivalents	(283,258)	4,178,580
Cash and cash equivalents at beginning of period	7,042,205	2,863,625
Cash and cash equivalents at end of period	<u><u>\$ 6,758,947</u></u>	<u><u>7,042,205</u></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)

Fitipower Integrated Technology Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 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. A significant subsidiary of the Company, Jadard Technology INC., was officially listed on the Sci-Tech Innovation Board on September 27, 2022 under the stock code of 688252.SH.

2. Approval Date and Procedures of the Consolidated Financial Statements

These consolidated financial statements were approved for issuance by the Board of Directors on February 23, 2023.

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 effect or impact that may arise when it has not applied IFRS endorsed by the FSC.

The Company assesses that the application of the following newly revised IFRSs, effective from January 1, 2023, will not have a material impact on individual financial statements.

- Amendments to IAS 1 - "Disclosure of Material Accounting Policy Information"
- Amendments to IAS 8 - "Definition of Accounting Estimates"
- Amendments to IAS 12 - "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

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

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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
- Amendments to IAS 1 - “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 - “Initial Application of IFRS 17 and IFRS 9 — Comparative Information”
- Amendments to IFRS 16 - “Lease Liability in a Sale and Leaseback”

4. Summary of Significant Accounting Policies

The significant accounting policies adopted in these consolidated financial statements are summarized below and the following accounting policies have been applied consistently to all periods presented herein.

(1) Compliance statement

These consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter the “Preparation Regulations”) and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC) recognized by the FSC (hereinafter “IFRS endorsed by the FSC”).

(2) Preparation basis

a. Measurement basis

The consolidated financial statements are prepared on a historical cost basis.

b. Functional and presentation currencies

Each entity of the Consolidated Company has the currency of the primary economic environment in which it operates as its functional currency. These consolidated financial statements are presented in New Taiwan dollars, which is the functional currency of the Company. All financial information expressed in New Taiwan dollars is expressed in thousands of New Taiwan dollars.

(3) Consolidated basis

a. Principles for preparation of consolidated financial statements

The entity that prepares consolidated financial statements includes the Company and Subsidiaries. The financial statements of the subsidiaries are included in the consolidated financial statements from the date when control over the subsidiaries was acquired until the date when control no longer exists. Gains or losses attributable to non-controlling interests in subsidiaries are attributed to non-controlling interests, even if the non-controlling interests become a loss balance as a result.

Inter-consolidated company transactions, balances and any unrealized gains and expenses have been eliminated in the preparation of the consolidated financial statements.

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Changes in the Consolidated Company's ownership interest in a subsidiary that do not result in a loss of control are treated as equity transactions with the owner.

The subsidiaries included in these consolidated financial statements consist of:

Name of Investment Company	Name of Subsidiary	Business Nature	Shareholding Percentage		Note
			December 31, 2022	December 31, 2021	
The Company	Trade Logic Limited (Trade Logic)	Investment company	100.00%	100.00%	—
The Company	Visual Sensing Technology Corp. (Visual Sensing Technology)	IC design	89.16%	83.35%	Note 1
The Company	Pu Yu Investment Co., Ltd. (Pu Yu Investment)	Investment company	100.00%	- %	Note 3
Trade Logic Limited	Ever Harvest Limited (Ever Harvest)	Investment company	100.00%	100.00%	—
Ever Harvest Limited	JADARD TECHNOLOGY INC. (Shenzhen Jadard)	IC design	55.04%	61.15%	Note 4
JADARD TECHNOLOGY INC.	Hefei Jadard Technology Co., Ltd. (Hefei Jadard)	Supply Chain Management	100.00%	100.00%	—
JADARD TECHNOLOGY INC.	Jadard Technology Limited (Jadard Technology)	General Trading	100.00%	100.00%	—
JADARD TECHNOLOGY INC.	Xiamen Jadard Technology Co., Ltd. (Xiamen Jadard)	Supply Chain Management	100.00%	100.00%	Note 2

Note 1: In October 2022, Visual-Sensing Technology Corp. conducts a cash capital increase. After the capital increase, the Company's shareholding ratio increased to 89.16%.

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.

Note 4: Jadard Technology INC. was listed on the Sci-Tech Innovation Board on September 27, 2022 and 40,555,600 new shares were issued externally, reducing the Company's shareholding from 61.15% to 55.04% after the capital increase.

(4) Foreign currency

a. Foreign currency transactions

Foreign currency transactions are translated into the functional currency based on the exchange rate at the date of the transaction. At the end of each subsequent reporting period (hereinafter the reporting dates), monetary items denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing on that date. Non-monetary items in foreign currencies measured at fair value are retranslated into the functional currency using the exchange rate at the date when the fair value was measured, while non-monetary items in foreign currencies measured at historical cost are retranslated

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using the exchange rate at the date of the transaction. Foreign currency exchange differences arising on translation are recognized in profit or loss.

b. Foreign operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the functional currency using the exchange rates prevailing at the reporting date. Except for highly inflationary economies, income and expense items are translated into the functional currency using the average exchange rates for the period, and the resulting exchange differences are recognized in other comprehensive income.

When the disposal of a foreign operation results in a loss of control, joint control or significant influence, the cumulative exchange differences associated with that foreign operation are reclassified in full to profit or loss. Upon partial disposal of a subsidiary with foreign operations, the related cumulative exchange differences are reattributed to non-controlling interests on a pro rata basis. Upon partial disposal of an investment in an associate or joint venture that includes a foreign operation, the related cumulative exchange differences are reclassified to profit or loss on a pro rata basis.

(5) Criteria for classifying assets and liabilities into current and non-current

Assets that meet one of the following criteria are classified as current ones, and all other assets that are not current assets are classified as non-current ones:

- a. The Consolidated Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- b. The Consolidated Company holds the asset primarily for the purpose of trading;
- c. The Consolidated Company expects to realize the asset within 12 months after the balance sheet date; or
- d. The asset is cash or a cash equivalent, unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than 12 months after the balance sheet date.

Liabilities that meet one of the following criteria are classified as current ones, and all other liabilities that are not current liabilities are classified as non-current ones:

- a. The Consolidated Company expects to settle the liability in its normal operating cycle;
- b. The Consolidated Company holds the liability primarily for the purpose of trading;
- c. The Consolidated Company expects to settle the liability when due within 12 months after the balance sheet date; or
- d. The Consolidated Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash and cash equivalents:

Cash and cash equivalents comprise cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that fit the definition above and are held to meet short-term cash commitments

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rather than for investment or other purposes are reported as cash equivalents.

(7) Financial instruments

Accounts receivable and debt securities issued are recognized initially as they are incurred. All other financial assets and financial liabilities are recognized initially when the Consolidated Company becomes a party to the contractual provisions of the financial instruments. Financial assets (other than receivables that do not contain a significant financial component) or financial liabilities that are not measured at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue. Accounts receivable that do not contain a significant financial component are initially measured at transaction prices.

a. Financial assets

Where purchases or sales of financial assets qualify as a regular way purchase or sale, the Consolidated Company applies trade-date or settlement-date accounting consistently to all purchases and sales of financial assets classified in the same manner.

On initial recognition, financial assets are classified as those carried at amortized cost. The Consolidated Company reclassifies all affected financial assets from the first day of the next reporting period only when there is a change in the mode of operation for managing the financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost when not designated as at fair value through profit or loss if it meets both of the following criteria:

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

These assets are subsequently measured at their initially recognized amounts plus or minus the cumulative amortization using the effective interest method, adjusted for the amortized cost of any allowance for losses. Interest income, foreign exchange gains or losses and impairment losses are recognized in profit or loss. On derecognition, the gain or loss is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

Financial assets measured at FVTPL, including derivative financial assets, are not measured at amortized cost as described above. On initial recognition, the Consolidated Company may irrevocably designate financial assets measured at FVTPL as financial assets measured at amortized cost in order to eliminate or significantly reduce accounting mismatches.

The net gain or loss (including any dividends and interest income) on these assets subsequently measured at fair value is recognized in profit or loss.

3) Impairment of financial assets

The Consolidated Company recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost, including cash and cash equivalents, accounts receivable, other receivables, refundable deposits and other financial assets.

The loss allowance is measured at the amount of expected credit losses over a

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12-month period for the following financial assets, with the remainder measured at the amount of expected credit losses over the life of the asset:

- The credit risk of the debt securities is judged to be low at the reporting date; and
- The credit risk on other debt securities and bank deposits (i.e. the risk of default over the expected life of the financial instruments) has not increased significantly since initial recognition.

The allowance for losses on accounts receivable is measured by the amount of expected credit losses over the life of the financial assets.

Expected credit losses over the life of the instrument are the expected credit losses arising from all possible defaults over the expected life of the instrument.

A 12-month expected credit loss is an expected credit loss arising from a possible default of a financial instrument within 12 months of the reporting date (or in a shorter term, if the expected duration of the financial instrument is fewer than 12 months).

The maximum period for measuring expected credit losses is the maximum contractual period over which the Consolidated Company is exposed to credit risk.

In determining whether there has been a significant increase in credit risk since initial recognition, the Consolidated Company considers reasonable and supportable information (available without undue cost or input), including qualitative and quantitative information, and analysis based on the Consolidated Company's historical experience, credit evaluations and forward-looking information.

If a contractual amount is more than 90 days past due, the Consolidated Company assumes that the credit risk of the financial asset has increased significantly.

The Consolidated Company considers a financial asset to be in default if the contractual amount is more than one year overdue or if it is unlikely that the borrower will be able to fulfill its credit obligation to pay the full amount to the Consolidated Company.

Expected credit losses are a weighted estimate of the probability of credit losses over the expected life of the financial instrument. Credit losses are measured as the present value of all cash shortfalls, which is the difference between the cash flows that the Consolidated Company is contractually entitled to receive and the cash flows that the Consolidated Company expects to receive. Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Consolidated Company assesses whether there is credit impairment on financial assets measured at amortized cost. A financial asset is impaired when one or more events have occurred that have an adverse effect on the estimated future cash flows of the financial asset. Evidence that a financial asset is credit-impaired includes observable information about:

- Material financial difficulty of the borrower or issuer;
- Breach of contract, such as delay or overdue for more than ninety days;
- Concessions made by the Consolidated Company to the borrower that it would not otherwise consider for economic or contractual reasons related to the borrower's financial difficulties;
- The likelihood that the borrower will file for bankruptcy or other financial

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reorganization; or

- The absence of an active market for the financial asset as a result of financial difficulties.

The loss allowance for financial assets measured at amortized cost should be deducted from the book value of the asset.

When the Consolidated Company cannot reasonably expect to recover all or part of a financial asset, it directly reduces the total carrying amount of its financial assets. For corporate accounts, the Consolidated Company analyzes the timing and amount of eliminations on a case-by-case basis based on whether recovery is reasonably expected. The Consolidated Company does not expect any material reversal of the amounts eliminated. However, financial assets that have been written off are still enforceable in compliance with the Consolidated Company's procedures for recovering overdue amounts.

4) Derecognition of financial assets

The Consolidated Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset cease, or when the financial asset has been transferred and substantially all the risks and rewards of ownership of the asset have been transferred to another entity, or when substantially all the risks and rewards of ownership have neither been transferred nor retained and control of the financial asset has not been retained.

Transactions involving the transfer of financial assets entered into by the Consolidated Company that retain all or substantially all the risks and rewards of ownership of the transferred assets are recognized on the balance sheet on an ongoing basis.

b. Financial liabilities and equity instruments

1) Classification of liabilities or equity

Debt and equity instruments issued by the Consolidated Company are classified as financial liabilities or equity based on the substance of the contractual agreements and the definitions of financial liabilities and equity instruments.

2) Equity instruments

An equity instrument means any contract that recognizes the Consolidated Company's residual interest in assets less all of its liabilities. Equity instruments issued by the Consolidated Company are recognized at the amount of the consideration received less direct issue costs.

3) Treasury stocks

Upon repurchase of an equity instrument recognized by the Company, the consideration paid (including directly attributable costs) is recognized as a reduction of equity. Repurchased shares are classified as treasury stocks. The amount received from subsequent sales or reissues of treasury stocks is recognized as an increase in equity, and any surplus or deficit arising from such transactions is recognized as capital surplus or retained earnings (if capital surplus is not sufficient to offset it).

4) Other financial liabilities

Financial liabilities that are not held for trading and are not designated as at fair

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value through profit or loss (including short-term borrowings, accounts payable and other payables) are measured at fair value plus directly attributable transaction costs on initial recognition and subsequently measured at amortized cost using the effective interest method. Interest expense that is not capitalized as part of the cost of an asset is included in finance costs under non-operating income and expenses.

5) Derecognition of financial liabilities

The Consolidated Company derecognizes financial liabilities when contractual obligations are fulfilled, cancelled or expire. When the terms of a financial liability are modified and the cash flows of the modified liability are materially different, the original financial liability is derecognized and the new financial liability is recognized at fair value on the basis of the modified terms.

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

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and presented on a net basis in the balance sheet only when the Consolidated Company has a legally enforceable right to do so and intends to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(8) Inventory

Inventories are measured at the lower of cost or net realizable value. Cost includes the cost of acquisition, production or processing and other costs incurred in bringing them to the place and condition in which they are available for use and is calculated using the weighted average method.

Net realizable value means the estimated selling price in the normal course of business less estimated costs still to be invested in the estimated completion and estimated costs required to complete the sale.

(9) Property, plant and equipment

a. Recognition and measurement

Property, plant and equipment are recognized and measured at cost, which is measured at cost less accumulated depreciation and accumulated impairment. Cost includes expenditure directly attributable to the acquisition of assets.

If the significant components of property, plant and equipment have different useful lives, they are treated as separate items (major components) of property, plant and equipment.

Gain or loss on disposal of property, plant and equipment is recognized in profit or loss.

b. Subsequent costs

Subsequent expenditure is capitalized only to the extent that it is probable that future economic benefits will flow to the Consolidated Company.

c. Depreciation

Depreciation is calculated on the basis of the cost of the asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful life of

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each component.

Depreciation on leased assets is provided over the shorter of the lease term and its useful life. The estimated useful lives of the remaining assets for the current and comparative periods are as follows:

- 1) Instruments and machinery: 2-10 years
- 2) Office equipment: 1-6 years
- 3) Leasehold improvements: 5 years

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted as necessary if the expected value differs from previous estimates, with such changes treated as per the provisions for changes in accounting estimates.

(10) Lease

The Consolidated Company assesses whether a contract is a lease or contains a lease at the contract inception date. If a contract transfers control over the use of an identified asset for a period of time in exchange for consideration, the contract is a lease or contains a lease.

a. Lessees

The Consolidated Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is measured initially at cost, which comprises the original measurement of the lease liability, adjusted for any lease payments made on or before the commencement date of the lease, plus the original direct cost incurred and the estimated cost of dismantling and removing the underlying asset and restoring its location or the underlying asset, less any lease incentives received.

Right-of-use assets are subsequently depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the Consolidated Company periodically assesses whether a right-of-use asset is impaired and addresses any impairment loss that has occurred, and adjusts the right-of-use asset in conjunction with any remeasurement of the lease liability.

Lease liabilities are measured initially at the present value of the lease payments outstanding at the inception date of the lease. Where the interest rate implicit in the lease is readily determinable, the discount rate is that rate, or if not readily determinable, the Consolidated Company's incremental borrowing rate is used. In general, the Consolidated Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liabilities comprise:

- 1) Fixed payments, including in-substance fixed payments;
- 2) Lease payments that are dependent on an index or rate change, using the index or rate at the inception date of the lease as the original measure;
- 3) The amount of residual value guarantees expected to be paid; and
- 4) The exercise price or penalty to be paid when it is reasonably certain that the option to purchase or the option to terminate the lease will be exercised.

Interest is subsequently accrued on lease liabilities using the effective interest method and is remeasured when the following occurs:

- 1) When there is a change in future lease payments as a result of changes in the index or

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rate used to determine lease payments;

- 2) When there is a change in the amount of the residual value guarantee expected to be paid;
- 3) When there is a change in the assessment of the call option on the underlying asset;
- 4) When there is a change in the estimate of whether to exercise the option to extend or terminate and a change in the assessment over the lease term;
- 5) When there is a change in the subject matter, scope or other terms of the lease.

When a lease liability is remeasured as a result of changes in the index or rate used to determine lease payments, changes in the residual value guarantee amount and changes in the evaluation of purchase, extension or termination options as described above, the carrying amount of the right-of-use asset is adjusted accordingly, and the remaining remeasurement amount is recognized in profit or loss when the carrying amount of the right-of-use asset is reduced to zero.

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between this and the remeasurement amount of the lease liability is recognized in profit or loss.

The Consolidated Company presents right-of-use assets and lease liabilities that do not fit the definition of investment property as separate line items in the balance sheet.

For short-term leases of transportation equipment and offices and leases of low-value underlying assets, the Consolidated Company has elected not to recognize right-of-use assets and lease liabilities, and instead recognizes the related lease payments as expenses on a straight-line basis over the lease period.

Starting from January 1, 2021, when the basis for determining future lease payments is changed due to changes in interest rate indicators, the Consolidated Company discounts the revised lease payments to remeasure Lease liabilities using a modified discount rate that reflects changes in interest rates of another indicator.

The Consolidated Company has elected to use the practical expedient approach for all rent reductions that meet all of the following conditions, without evaluating whether they are lease modifications.

- 1) Rent reductions that occurred as a direct result of the pandemic.
- 2) A change in lease payments that results in a revised consideration for the lease that is nearly the same or less than the consideration for the lease prior to such change.
- 3) Any reduction in lease payments affects only those payments originally due prior to June 30, 2022; and
- 4) There are no material changes to the other terms and conditions of the lease.

In practical, when a rent reduction results in a change in lease payments, the change is recognized in profit or loss upon the occurrence of the event or circumstance that triggers the rent reduction.

(11) Intangible assets

a. Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of identifiable net assets under the purchase method. Goodwill acquired on consolidation is

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not subject to amortization but is periodically assessed for impairment and measured at the amount of the initially recognized cost less accumulated impairment.

b. Research and development

The research phase represents activities that are performed to acquire and understand new scientific or technical knowledge, with related expenditures recognized in profit or loss as incurred.

Development expenditure is recognized as an intangible asset when all of the following conditions are met simultaneously; if not met simultaneously, it is recognized in profit or loss as incurred:

- 1) The technical feasibility of completing the intangible asset has been achieved, which will make the intangible asset available for use or sale.
- 2) The intent is to complete the intangible asset and to use or sell it.
- 3) The ability to use or sell the intangible asset.
- 4) Intangible assets will most likely generate future economic benefits.
- 5) Adequate technical, financial and other resources are available to complete this development and to use or sell the intangible asset.
- 6) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized expenditures incurred in the development phase are measured at their cost less accumulated amortization and accumulated impairment.

c. Other intangible assets

Other intangible assets acquired by the Consolidated Company are measured at cost less accumulated amortization and accumulated impairment.

d. Subsequent expenses

Subsequent expenditure is capitalized only to the extent that it will enhance the future economic benefits of the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred, including goodwill and brands developed internally.

e. Amortization

Amortization is calculated as the cost of the asset less its residual value as the amortizable amount.

Intangible assets, other than goodwill and intangible assets with indefinite useful lives are amortized on a straight-line basis over their estimated useful lives, with amortization recognized in profit or loss, from the time they reach a serviceable condition, as follows:

Computer software system: 1-10 years

The residual value, amortization period and amortization method of intangible assets are reviewed annually at least at the end of the financial year and any changes are treated as changes in accounting estimates.

(12) Impairment of non-financial assets

The Consolidated Company assesses at each reporting date whether there is any indication that the carrying amount of non-financial assets (other than inventories and deferred tax assets) may be impaired. If any indication exists, the recoverable amount of the

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asset is estimated. Goodwill is tested annually for impairment.

For the purposes of impairment testing, a group of assets with cash inflows that are largely independent of other individual assets or groups of assets is treated as the smallest identifiable group of assets. Goodwill acquired on a business combination is allocated to each cash-generating unit or group of cash-generating units that is expected to benefit from the combined effect.

The recoverable amount is the higher of the fair value of an individual asset or cash-generating unit, less cost to dispose, and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognized if the recoverable amount of an individual asset or cash-generating unit is less than its carrying amount.

An impairment loss is recognized immediately in profit or loss and reduces the carrying amount of the cash-generating unit's amortized goodwill first, and then reduces the carrying amount of each asset in proportion to the carrying amount of each other asset in the unit.

Impairment losses on goodwill are not reversed. Non-financial assets other than goodwill are reversed only to the extent that the asset does not exceed the carrying amount, net of depreciation or amortization, that would have been determined had no impairment loss been recognized in prior years.

(13) Debt provision

Provisions for liabilities are recognized when the Consolidated Company has a present obligation as a result of past events and it is probable that an outflow of economic resources will be required to settle the obligation in the future, and the amount of the obligation can be reliably estimated. The provision for liabilities is discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liabilities, and amortization of the discount is recognized as interest expense.

(14) Revenue recognition

a. Revenue from customer contracts

Revenue is measured as the expected right to receive consideration for the transfer of goods or services. The Consolidated Company recognizes revenue when control of the goods or services is transferred to customers to satisfy performance obligations. The Consolidated Company's major revenue items are described as follows:

1) Merchandise for sale

The Consolidated Company outsources the manufacture and sale of integrated circuits. The Consolidated Company recognizes revenue upon the transfer of control over the products. Transfer of control of the product means that the product has been delivered to the customer, the customer has full control over the sales channel and price of the product and there are no outstanding obligations that would affect the customer's acceptance of the product. Delivery occurs when the product has been delivered to a specific location, the risk of obsolescence and loss has been transferred to the customer, and the customer has accepted the product in accordance with the sales contract and the terms of acceptance have lapsed, or when the Consolidated Company has objective

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evidence that all acceptance conditions have been met.

The Consolidated Company recognizes accounts receivable upon delivery of goods because the Consolidated Company has an unconditional right to receive consideration at that point in time.

2) Provision of services

The Consolidated Company provides product design and development services to customers and recognizes the related revenue in the period in which the services are financially reported. Fixed-price contracts are recognized as revenue based on the proportion of actual services rendered to total services as of the reporting date, which is determined by the proportion of costs incurred to the estimated total cost of the transaction.

(15) Employee benefits

a. Defined contribution plans

The defined contribution pension plan's contribution obligation is recognized as employee benefit expense in profit or loss over the period in which the employees render service.

Effective July 1, 2005, in accordance with the implementation of the Labor Pension Act (hereinafter the "new system"), employees of a domestic consolidated company subject to the former system who have elected to be subject to the new system or who have joined the company after the implementation of the new system will be subject to a defined contribution system for their years of service. Pursuant to the Labor Pension Act, the consolidated company makes contributions at a rate of 6% of the employees' monthly wages to the individual pension accounts of the Bureau of Labor Insurance, and the contributions are recognized as current expenses.

If the consolidated company is a foreign company and the defined contribution pension plan is implemented, the Company shall make contributions to the pension fund in accordance with the local laws and regulations and recognize the amount of pension fund to be contributed in each period as current expense. Chinese subsidiaries included in the consolidation are required by the Chinese government to make contributions to the basic pension insurance at the statutory rate of the approved salaries of employees and to recognize the contributions as current expenses.

b. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are recognized as an expense when the related services are rendered.

The amount expected to be paid under a short-term cash dividend or bonus plan is recognized as a liability if the Consolidated Company has a present legal or constructive obligation to pay as a result of past services rendered by employees and the obligation can be reliably estimated.

(16) Share-based payment transactions

The share-based compensation granted to employees is based on the fair value at the date of grant, with compensation cost recognized and relative equity increased over the period in which the employees reach the point of unconditional compensation. The recognized compensation cost is adjusted for the amount of compensation expected to be

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received for services rendered, and the final amount recognized is based on the amount of compensation received for services rendered on the vested date.

(17) Income tax

Income taxes consist of current and deferred taxes. Current and deferred taxes are recognized in profit or loss, except when they relate to business combinations, items recognized directly in equity or other comprehensive income.

Current income tax includes estimated income tax payable or refund receivable based on current year's taxable income (loss) and any adjustments to prior years' income tax payable or refund receivable. The amount is the best estimate of the amount expected to be paid or received, measured at the statutory or substantively legislated tax rate at the reporting date, after reflecting uncertainties, if any, related to income taxes.

Deferred tax is measured and recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax is not recognized on temporary differences arising from:

- a. Assets or liabilities that are not part of the initial recognition of a business combination transaction and that do not affect accounting profit or taxable income (loss) at the time of the transaction;
- b. Temporary differences due to investments in subsidiaries, affiliates and interests in joint ventures where the Consolidated Company can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reverse in the foreseeable future; and

Deferred tax is measured at the tax rate at the time of expected temporary difference reversal, and is based on the statutory tax rate or substantive legislative tax rate adopted at the reporting date.

Deferred tax assets and deferred tax liabilities will only be offset by the Consolidated Company if the following conditions are met at the same time:

- a. There is a statutory enforcement right to set off current tax assets against current tax liabilities; and
- b. Deferred tax assets and deferred tax liabilities relate to one of the following taxable entities for which income tax is levied by the same taxation authority;
 - 1) The same taxable entity; or
 - 2) Different taxable entities, provided that each entity intends to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets are expected to be recovered and deferred tax liabilities are expected to be settled.

Deferred tax assets are recognized for unused tax losses and unused tax credits carried forward in subsequent periods to the extent that it is probable that future taxable income will be available for use against which deductible temporary differences can be utilized. They are reassessed at each reporting date and reduced to the extent that it is not probable that the related income tax benefit will be realized; or the amount of the reduction is reversed to the extent that it becomes probable that sufficient taxable income will be available.

(18) Business combination

Upon conversion to IFRSs recognized by the FSC, the amount of goodwill for acquisitions

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made by the Consolidated Company prior to January 1, 2012 was recognized in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers issued by the FSC on January 10, 2009 and various statements of financial accounting standards and their interpretations issued by the Accounting Research and Development Foundation of the ROC (hereinafter the "previous generally accepted accounting principles").

(19) Earnings per share

The Consolidated Company presents basic and diluted earnings per share attributable to equity holders of the Company's ordinary shares. The calculation of the Consolidated Company's basic earnings per share is based on the profit or loss attributable to equity holders of the Company's common stocks divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting the profit or loss attributable to equity holders of the Company's ordinary shares and the weighted average number of ordinary shares outstanding for the effect of all potentially dilutive common shares. Potentially dilutive ordinary shares in the Consolidated Company include share-based compensation plans, employee compensation that may be paid in shares and new shares with unvested restricted employee rights.

(20) Departmental information

The operating segment is a component of the Consolidated Company that engages in operating activities that may earn revenues and incur expenses, including revenues and expenses associated with transactions between other components of the Consolidated Company. The operating results of all operating segments are regularly reviewed by the Consolidated Company's chief operating decision-maker in order to make decisions on the allocation of resources to the segment and to assess its performance. Each operating segment has separate financial information.

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

The preparation of these consolidated financial statements in conformity with IFRSs generally accepted by the FSC requires 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.

Management reviews estimates and underlying assumptions on an ongoing basis and changes in accounting estimates are recognized in the period of change and in the future periods affected.

Among the uncertainties in the assumptions and estimates, the related information with a major risk that will cause material adjustments in the following year is as follows:

Inventory valuation

As inventories are measured at the lower of cost or net realizable value, the Consolidated Company assesses the amount of inventories that are normally worn out, obsolete or have no marketable value at the reporting date and reduces the cost of inventories to net realizable value. This inventory valuation is primarily based on estimates of product demand in specific periods in the future and is subject to significant changes due to rapid changes in the industry. Please refer to Note 6(4) for inventory valuation estimates.

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6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>Dec.31.2022</u>	<u>Dec.31.2021</u>
Cash	\$ 1,815	1,310
Checking and savings accounts	4,487,999	5,464,741
Time deposits	2,269,333	2,136,354
Less: Restricted deposits (recorded as financial assets measured at amortized cost) (Note 8)	(200)	(200)
Time deposits with original maturities of more than three months (recorded as financial assets carried at amortized cost)	-	(560,000)
	<u>\$ 6,758,947</u>	<u>7,042,205</u>

For the years ended December 31, 2022 and 2021, the Consolidated Company did not record any impairment loss on financial assets measured at amortized cost, and please refer to Note 6(22) for the remaining credit risk information.

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

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

	<u>Dec.31.2022</u>	<u>Dec.31.2021</u>
Financial assets mandatorily measured at fair value through profit or loss:		
Current:		
Open-ended funds	\$ 9,641,905	4,884,709
Exchange Contracts	540	3,297
Forward Foreign Exchange Contracts	27	-
	<u>\$ 9,642,472</u>	<u>4,888,006</u>
	<u>Dec.31.2022</u>	<u>Dec.31.2021</u>
Financial liabilities mandatorily measured at fair value through profit or loss:		
Current:		
Exchange Contracts	\$ 1,176	-
Forward Foreign Exchange Contracts	130	-
Total	<u>\$ 1,306</u>	<u>-</u>

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

	Dec.31.2022			Dec.31.2021		
	Contract Amount	Currency	Due date	Contract Amount	Currency	Due date
Exchange Contracts						
USD	\$ 33,000	USD	112.01	45,000	USD	2022.02
Forward Foreign						
Exchange Contracts:						
Sell USD forward						
foreign exchange	6,000	USD	112.01			

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

	Dec.31.2022	Dec.31.2021
Accounts receivable (including the part from related parties)	\$ 2,665,683	5,025,366
Less: Allowance for impairment losses	(6,350)	(13,039)
	<u>\$ 2,659,333</u>	<u>5,012,327</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:

	Dec.31.2022		
	Accounts receivable (including the part from related parties)	Weighted average expected credit loss rate	Expected credit losses in the duration of allowance
Not overdue	\$ 2,588,854	0.18%	4,585
Within 30 days past due	67,056	0.50%	335
31-60 days past due	6,873	1.22%	84
61-90 days past due	1,695	9.09%	154
91-120 days past due	15	13.33%	2
More than 120 days past due	1,190	50%~100%	1,190
	<u>\$ 2,665,683</u>		<u>6,350</u>

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	Dec.31.2021		
	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
Over 120 days	<u>5,338</u>	50%~100%	<u>4,654</u>
	<u>\$ 5,025,366</u>		<u>13,039</u>

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

	2022	2021
Beginning balance	\$ 13,039	6,999
Impairment losses (gain on reversal)	<u>(6,689)</u>	6,040
Ending balance	<u>\$ 6,350</u>	<u>13,039</u>

(4) Net inventory

	Dec.31.2022	Dec.31.2021
Finished goods	\$ 775,849	1,099,635
Work-in-progress	1,031,913	1,215,067
Raw materials	<u>699,085</u>	<u>1,023,687</u>
	<u>\$ 2,506,847</u>	<u>3,338,389</u>

a. The breakdown of cost of goods sold is as follows:

	2022	2021
Inventory sales are reclassified	\$ 12,269,166	12,151,398
Loss on decline in value of inventories and obsolescence	<u>266,234</u>	<u>52,863</u>
	<u>\$ 12,535,400</u>	<u>12,204,261</u>

b. As of December 31, 2022 and 2021, there were no instances of the consolidated company's inventory being provided as collateral for pledges.

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(5) Advance payment and other current assets

	Dec.31.2022	Dec.31.2021
Prepayment	\$ 29,793	460,664
Prepaid expenses	47,825	44,027
Tax credits and prepayments	87,534	42,029
Temporary Payment	354	2,127
	<u>\$ 165,506</u>	<u>548,847</u>

(6) Changes in ownership interests in subsidiaries

The initial public offering and listing of the subsidiary did not result in a loss of control.

The important subsidiary of the consolidated company, JADARD TECHNOLOGY INC., completed its initial public offering and listing on the Sci-Tech Innovation Board of the Shanghai Stock Exchange on September 27, 2022. The issuance price was RMB 21.68 per share, with the stock abbreviation "JADARD" and stock code 688252. After the initial public offering, the total share capital was 405,555,600 shares. The ownership interest of the consolidated company in the subsidiary decreased from 61.15% to 55.04%, and this change did not result in a loss of control. It should be treated as an equity transaction, recognizing capital surplus of 1,636,704 thousand NTD, which does not affect the profit and loss.

(7) Subsidiaries with significant non-controlling interests

The subsidiaries with significant non-controlling interests in the consolidated company are as follows:

Name of subsidiary	Principal place of business / country of incorporation	Percentage of ownership interest and voting rights held by non-controlling interests	
		Dec.31.2022	Dec.31.2021
JADARD TECHNOLOGY INC.	China	44.96%	38.85%

The summarized financial information of the above-mentioned subsidiaries is as follows. This financial information is prepared in accordance with the International Financial Reporting Standards approved by the Financial Supervisory Commission and adjusted for differences in accounting policies. The amounts presented are before the elimination of transactions between the consolidated companies:

Summarized financial information of JADARD:

	Dec.31.2022	Dec.31.2021
Current Assets	\$ 7,180,381	3,834,920
Non-current assets	1,923,625	996,021
Current liabilities	(913,517)	(926,217)
Non-current liabilities	(172,560)	(67,461)
Net Assets	<u>\$ 8,017,929</u>	<u>3,837,263</u>
Closing balance attributable to non-controlling interests	<u>\$ 3,737,767</u>	<u>1,526,775</u>

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	2022	2021
Operating income	\$ 5,274,523	4,835,122
Net income	\$ 526,610	1,411,144
Other comprehensive (loss) income	26,954	(9,359)
Total comprehensive income	<u>\$ 553,564</u>	<u>1,401,785</u>
Net profit for the period attributable to non-controlling interests	<u>\$ 212,963</u>	<u>548,213</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 148,854</u>	<u>41,541</u>

(8) 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	645,902	21,319	1,141	97	668,459
Disposal	(3,690)	(760)	-	-	(4,450)
Amount transferred in (out) in the current period	3,179	140	-	(3,319)	-
Effect of the changes in exchange rates	9,976	459	-	-	10,435
Balance at December 31, 2022	<u>\$ 1,734,756</u>	<u>105,734</u>	<u>8,818</u>	<u>97</u>	<u>1,849,405</u>
Balance at January 1, 2021	\$ 616,789	53,649	4,996	1,800	677,234
Addition	469,655	33,827	3,826	3,041	510,349
Disposal	(4,421)	(2,769)	(1,085)	-	(8,275)
Reclassification	-	-	(59)	-	(59)
Amount transferred in (out) in the current period	122	-	-	(1,522)	(1,400)
Effect of the changes in exchange rates	(2,756)	(131)	(1)	-	(2,888)
Balance at December 31, 2021	<u>\$ 1,079,389</u>	<u>84,576</u>	<u>7,677</u>	<u>3,319</u>	<u>1,174,961</u>
Depreciation:					
Balance at January 1, 2022	\$ 458,360	48,009	3,792	-	510,161
Depreciation	261,835	20,280	1,451	-	283,566
Disposal	(2,877)	(760)	-	-	(3,637)
Effect of the changes in exchange rates	4,105	234	-	-	4,339
Balance at December 31, 2022	<u>\$ 721,423</u>	<u>67,763</u>	<u>5,243</u>	<u>-</u>	<u>794,429</u>
Balance at January 1, 2021	\$ 301,826	40,184	2,839	-	344,849
Depreciation	161,760	10,524	1,260	-	173,544
Disposal	(4,421)	(2,653)	(274)	-	(7,348)
Reclassification	-	-	(33)	-	(33)
Effect of the changes in exchange rates	(805)	(46)	-	-	(851)
Balance at December 31, 2021	<u>\$ 458,360</u>	<u>48,009</u>	<u>3,792</u>	<u>-</u>	<u>510,161</u>

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	Instruments and Machinery	Office equipment	Leasehold improvement	Equipment to be inspected	Total
Book value:					
December 31, 2022	<u>\$ 1,013,333</u>	<u>37,971</u>	<u>3,575</u>	<u>97</u>	<u>1,054,976</u>
December 31, 2021	<u>\$ 621,029</u>	<u>36,567</u>	<u>3,885</u>	<u>3,319</u>	<u>664,800</u>

As of December 31, 2022 and 2021, there were no instances of the consolidated company's property, plant, and equipment being provided as collateral for pledges.

(9) Right-of-use assets

The cost and depreciation changes of the right-of-use assets recognized by the consolidated company for leased properties and buildings are as follows:

	<u>Buildings</u>
Cost of right-to-use assets:	
Balance at January 1, 2022	\$ 154,378
Addition	33,669
Disposal	(76,074)
Effect of the changes in exchange rates	<u>946</u>
Balance at December 31, 2022	<u><u>\$ 112,919</u></u>
Balance at January 1, 2021	\$ 121,173
Addition	55,774
Disposal	(22,319)
Effect of the changes in exchange rates	<u>(250)</u>
Balance at December 31, 2021	<u><u>\$ 154,378</u></u>
Depreciation and impairment loss on right-of-use assets:	
Balance at January 1, 2022	\$ 72,835
Depreciation	47,514
Disposal	(48,467)
Effect of the changes in exchange rates	<u>202</u>
Balance at December 31, 2022	<u><u>\$ 72,084</u></u>
Balance at January 1, 2021	\$ 52,156
Depreciation	40,756
Disposal	(19,994)
Effect of the changes in exchange rates	<u>(83)</u>
Balance at December 31, 2021	<u><u>\$ 72,835</u></u>
Book value:	
December 31, 2022	<u><u>\$ 40,835</u></u>
December 31, 2021	<u><u>\$ 81,543</u></u>

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(10) Intangible assets

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

	Goodwill	Computer Software	Patent and know-how	Total
Cost:				
Balance at January 1, 2022	\$ 185,097	38,587	81,881	305,565
Separate acquisition	-	68,276	11,755	80,031
Derecognition in the current period	-	(9,656)	(22)	(9,678)
Effect of the changes in exchange rates	-	483	1,417	1,900
Balance at December 31, 2022	\$ 185,097	97,690	95,031	377,818
Balance at January 1, 2021	\$ 185,097	24,852	59,998	269,947
Separate acquisition	-	12,498	22,092	34,590
Transferred in during the current period	-	1,400	-	1,400
Effect of the changes in exchange rates	-	(163)	(209)	(372)
Balance at December 31, 2021	\$ 185,097	38,587	81,881	305,565
Amortization:				
Balance at January 1, 2022	\$ -	22,061	36,403	58,464
Amortization	-	33,827	27,138	60,965
Derecognition in the current period	-	(9,656)	(22)	(9,678)
Impairment in the current period	183,365	-	-	183,365
Effect of the changes in exchange rates	-	263	556	819
Balance at December 31, 2022	\$ 183,365	46,495	64,075	293,935
Balance at January 1, 2021	\$ -	16,325	17,264	33,589
Amortization in the current period	-	5,829	19,189	25,018
Effect of the changes in exchange rates	-	(93)	(50)	(143)
Balance at December 31, 2021	\$ -	22,061	36,403	58,464
Book value:				
December 31, 2022	\$ 1,732	51,195	30,956	83,883
December 31, 2021	\$ 185,097	16,526	45,478	247,101

For 2022 and 2021, the amortization expenses of intangible assets of the consolidated company were 60,965 thousand and 25,018 thousand, respectively, and were reported under the operating costs and operating expenses items in the consolidated comprehensive income statement.

b. Impairment testing of goodwill

For the purpose of impairment testing, the consolidated company has allocated goodwill to the cash-generating units of the original Hongxin Semiconductor products and other department cash-generating units. The allocation of the total carrying amount of goodwill is as follows:

	Dec.31.2022	Dec.31.2021
Original Hongxin Semiconductor products cash-generating unit	\$ 1,607	184,972
Other department cash-generating units	125	125
	\$ 1,732	185,097

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Due to rapid market changes, the original revenue of Hongxin Semiconductor products in 2022 did not meet expectations. Therefore, the consolidated company commissioned an expert to issue an appraisal report. Based on the appraisal report, the consolidated company recognized a goodwill impairment loss of 183,365 thousand. This situation did not exist as of December 31, 2021. The consolidated company has reduced the carrying amount of the allocated goodwill of the original Hongxin Semiconductor products' cash-generating unit by the recognized impairment loss and reported the impairment loss under "non-operating expenses" in the consolidated comprehensive income statement.

The cash-generating unit of the original Hongxin Semiconductor product is based on the revenue growth rate, estimating the future cash flows generated from the sale of this product. As of the 2022 and December 31, 2021, annual discount rates of 14.77% and 11.18%, respectively, were used for calculation.

(11) Other noncurrent assets

	Dec.31.2022	Dec.31.2021
Prepaid Bonus	\$ 136,970	81,985
Refundable deposits	2,233,260	1,626,948
Other	24,622	6,390
	<u>\$ 2,394,852</u>	<u>1,715,323</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 \$186,698 thousand and \$133,337 thousand for the years ended December 31, 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 - Refundable deposits. In addition, the consolidated companies, considering market demand changes and future capacity utilization, have estimated related compensation losses and liability reserves according to capacity assurance contracts. These are recorded under the cost of goods sold and other current liabilities.

(12) Short-term loans

The details of the short-term loans of the consolidated company are as follows:

	Dec.31.2022	Dec.31.2021
Unsecured bank loans	\$ -	777,808
Other Loans	220,734	-
	<u>\$ 220,734</u>	<u>777,808</u>
Interest rate collar	<u>4.96%</u>	<u>0.54%~0.63%</u>
Unused loan commitment	<u>\$ 14,149,836</u>	<u>3,566,432</u>

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(13) Lease liabilities

The book value of the lease liabilities of the consolidated company are as follows:

	Dec.31.2022	Dec.31.2021
Current	<u>\$ 32,536</u>	<u>46,273</u>
Non-current	<u>\$ 8,633</u>	<u>37,231</u>

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

The amount recognized in profit and loss is as follows:

	2022	2021
Interest expense of lease liabilities	<u>\$ 1,476</u>	<u>2,018</u>
Cost of low-value leased assets (excluding low-value leases under short-term leases)	<u>\$ 3,736</u>	<u>6,764</u>

The amount recognized in the Statement of Cash Flows is as follows:

	2022	2021
Total amount of cash outflow from lease	<u>\$ 54,714</u>	<u>51,080</u>

Leasing of buildings and structures

The Consolidated Company leased buildings and structures for office use on December 31, 2022 and 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.

(14) 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 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 \$70,957 thousand and \$56,267 thousand for the years ended December 31, 2022 and 2021, respectively.

(15) 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%.

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b. Income tax expense

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

	2022	2021
Income tax expense in the current period	\$ 638,883	1,419,713
Deferred income tax expense	48,339	(22,798)
Income tax expense	<u>\$ 687,222</u>	<u>1,396,915</u>

The details of income tax expense (benefit) recognized under other comprehensive income for the Consolidated Company in fiscal 2022 and 2021 are as follows:

	2022	2021
Components of other comprehensive income that will be reclassified to profit or loss :		
Exchange differences on translation	<u>\$ 3,864</u>	<u>(7,689)</u>

The reconciliation of income tax expense to net income before taxes for the Consolidated Company for fiscal 2022 and 2021 is as follows:

	2022	2021
Net income before taxes	<u>\$ 3,956,407</u>	<u>7,786,550</u>
Income tax calculated based on the tax rate of the country where the Company is located	\$ 791,281	1,839,679
Effect on the income tax based on the subsidiaries' net income before taxes	(42,116)	(176,440)
Deduction from investment	(137,552)	(122,199)
Domestic securities transaction tax suspension	(13,624)	-
Additional income tax on unappropriated earnings	82,821	7,449
Changes in estimate and approved differences in the pass fiscal years	(56,610)	-
Income from foreign equity investments	(6,273)	(172,362)
Changes in the temporary differences that were not recognized	60,685	13,930
Other	8,610	6,858
	<u>\$ 687,222</u>	<u>1,396,915</u>

c. Deferred income tax assets and liabilities

1) Unrecognized deferred income tax liabilities

The items that were not recognized by the consolidated company as deferred income tax assets are as follows:

	Dec.31.2022	Dec.31.2021
Unrealized losses on inventory	\$ 5,336	3,133
Deduction of losses	55,609	12,706
Investment losses	28,350	11,745
	<u>\$ 89,295</u>	<u>27,584</u>

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For deductible temporary differences arising from investment losses, no deferred tax asset is recognized because the Consolidated Company has no plans to dispose of its equity investments for the time being and there is no other reason for the temporary differences to reverse in the foreseeable future. In accordance with the Income Tax Act, losses for the previous 10 years as approved by the tax authorities may be deducted from net profit for the period before income tax is levied. These temporary differences are not recognized as deferred tax assets because it is not probable that the Consolidated Company will have sufficient taxable income in the future to allow for these temporary differences' use.

As of December 31, 2022, the Consolidated Company has not recognized tax losses as deferred tax assets, which are deductible over the following periods:

(i). For consolidated companies that are domestic companies, the details are as follows:

<u>Fiscal year when the losses were generated</u>	<u>The last fiscal year when the losses can be deducted</u>	<u>Deductible amount</u>
2018	2028	\$ 110
2019	2029	731
2020	2030	2,668
2021	2031	9,222
2022	2032	18,205
		<u><u>\$ 30,936</u></u>

In accordance with the Income Tax Act, taxation may be made on its net income after deduction of losses incurred in the preceding ten years as verified and determined by the local collection authority-in-charge.

(ii). For consolidated companies that are foreign companies, the details are as follows:

	<u>Deductible amount</u>
Jadard Technology Limited	<u><u>\$ 24,673</u></u>

2) Deferred income tax assets and liabilities recognized

The changes in deferred income tax assets and liabilities for fiscal 2022 and 2021 are as follows:

	<u>Unrealized losses in inventory</u>	<u>Exchange difference on translation of the financial statements of foreign operations</u>	<u>Investment losses</u>	<u>Other</u>	<u>Total</u>
Deferred income tax assets:					
January 1, 2022	\$ 11,209	10,642	261	15,008	37,120
Recognized in the income statement	23,643	-	(261)	(5,275)	18,107
Recognized in other comprehensive income	-	(3,864)	-	-	(3,864)
December 31, 2022	<u><u>\$ 34,852</u></u>	<u><u>6,778</u></u>	<u><u>-</u></u>	<u><u>9,733</u></u>	<u><u>51,363</u></u>
January 1, 2021	\$ 22,030	2,953	263	8,011	33,257
Recognized in the income statement	(10,821)	-	(2)	6,997	(3,826)
Recognized in other comprehensive income	-	7,689	-	-	7,689
December 31, 2021	<u><u>\$ 11,209</u></u>	<u><u>10,642</u></u>	<u><u>261</u></u>	<u><u>15,008</u></u>	<u><u>37,120</u></u>

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	Unrealized foreign exchange gains	Amortization of goodwill	Investment income or loss	Total
Deferred income tax liabilities :				
January 1, 2022	\$ 373	-	-	373
Recognized in the income statement	14,422	-	56,456	70,878
December 31, 2022	\$ 14,795	-	56,456	71,251
January 1, 2021	\$ 1,106	21,527	-	22,633
Recognized in the income statement	(733)	(21,527)	-	(22,260)
December 31, 2021	\$ 373	-	-	373

d. The Company's income tax claim have been examined and cleared by the tax authorities through 2020.

(16) Capital and other interests

As of December 31, 2022 and 2021, the total issued capital of the Company was \$3,000,000 thousand, with a par value of \$10 per share, and the number of issued shares was 186,545 thousand, all of which were common shares.

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

	2022	2021
Beginning balance	186,176	165,406
Gain from the restricted stock in the current period	-	770
Proceeds from issuing shares	-	20,000
Ending balance	186,176	186,176

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 balance of the Company's capital reserves are as follows:

	Dec.31.2022	Dec.31.2021
Additional paid-in capital	\$ 6,102,418	6,102,418
Transaction of treasury shares	535	535
Difference between the carrying amount and the price of the shares of subsidiaries which were acquired or disposed	2,511,692	882,961
Other	450	450
	\$ 8,615,095	6,986,364

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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 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 percent 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 percent 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 percent 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 percent 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 company's profit distribution plans for 2021 and 2020 were resolved at the annual shareholder meetings on June 22, 2022 and May 18, 2021, respectively. The amounts distributed as dividends to the shareholders are 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>

The actual allotment of earnings for the years ended December 31, 2021 and 2020 was the same as the amount recognized in the related financial statements and no adjustment was required.

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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:

	2022		2021	
	Shares		Shares	
	(in thousands)	Amount	(in thousands)	Amount
Beginning Amount (equal to Ending Amount)	369	\$ 9,449	369	\$ 9,449

In fiscal 2020, the Company bought back a total of 369 thousand shares of treasury stock for transfer to employees under Article 28-2 of the Securities and Exchange Act. As of December 31, 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 changes in the Company are other equity items are 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)	15,078	-	15,078
Balance at December 31, 2022	\$ (28,704)	-	(28,704)
Balance at January 1, 2021	\$ (13,191)	(1,734)	(14,925)
Differences from foreign currency translations (net amount after taxes)	(30,591)	-	(30,591)
Unearned compensation for employees (net amount after taxes)	-	1,734	1,734
Balance at December 31, 2021	\$ (43,782)	-	(43,782)

(17) Share-based payment transaction

a. Restricted stock for employees

On Jun. 24, 2020, the Company's 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 December 2, 2020 as follows:

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

Type	2020 Conditions of Issuance
Grant date	Nov. 18, 2020
Grant amount	1,057,000
Vesting day	Dec. 31, 2020
	Dec. 31, 2021
	317,100 shares
	739,900 shares

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- 2) Information of the shares with restricted employee rights for the years ended December 31, 2022 and 2021 is as follows:

	2022	(1,000 shares) 2021
Beginning amount	-	813
Vested in the current period	-	(770)
Written off in the current period	-	(43)
Ending amount	-	-

As of December 31, 2022 and 2021, the Company had 15,466 thousand shares of restricted employee rights stock vested.

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 December 31, 2022, Jadard had the following share-based payment transactions:

Type	Shareholders' Meeting Date	Issuance date	Duration	Amounts	Subscription price per share (RMB/\$)
Employee Stock Option Plan for 2021	June 7, 2021	June 7, 2021	3 years	10,519,000	\$ 5.0

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%

Jadard adopts the binomial option pricing model to estimate the fair value of share-based payments on the grant date. The input values for this model are as follows:

	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	3 years
Risk-free interest rate	3.05%

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

	2021 Employee stock options	
	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

c. Employee expenses

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

	2022	2021
Expense generated from the issuance of restricted stock	-	1,386
Cash capital increase for employee subscriptions	-	25,520
Costs incurred in connection with the issuance of employee stock options	15,930	39,224
	15,930	66,130

(18) Earnings per share

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

a. Basic EPS

	2022	2021
Net income attributable to the equity holders of the ordinary shares of the Company	\$ 3,070,306	5,852,244
Weighted average number of the ordinary shares outstanding	186,176	172,974
Basic earnings per share (NT\$)	\$ 16.49	33.83

b. Diluted earnings per share

	2022	2021
Net income attributable to the equity holders of the ordinary shares of the Company	\$ 3,070,306	5,852,244
Weighted average number of the ordinary shares outstanding	186,176	172,974
Effect of the dilutive potential ordinary shares:		
— employee compensation	2,117	1,342
Weighted average number of the ordinary shares outstanding (after the adjustment to the effect of dilutive potential ordinary shares)	188,293	174,316
Diluted earnings per share (NT\$)	\$ 16.31	33.57

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(19) Contractual revenue

a. Details of the contractual revenue

	2022	2021
Major regional markets:		
Taiwan	\$ 2,710,034	2,559,732
China	12,723,352	14,405,185
Hong Kong	4,191,875	5,553,959
Japan	15,157	239,051
South Korea	2,743	26,412
Other countries	37,264	83,899
	<u>\$ 19,680,425</u>	<u>22,868,238</u>
Main products/service lines:		
Display driver IC	\$ 16,796,201	19,419,688
Power management IC	2,841,347	3,419,944
Other	42,877	28,606
	<u>\$ 19,680,425</u>	<u>22,868,238</u>

b. Contract balances

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

(20) 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 years ended December 31, 2022 and 2021, the Company made no provision for directors' remuneration. The estimated amounts of employee compensation of \$201,488 thousand and \$369,675 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 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.

The company did not allocate any director remuneration for 2021 and 2020. The estimated employee remuneration amounts were \$369,675 thousand and \$38,787 thousand, respectively, which is consistent with the resolutions of the company's board of directors. Employee remuneration for 2021 and 2020 was distributed in cash, and related information would be available at the Market Observation Post System website.

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(21) Non-operating income and expenses

a. Interest income

The breakdown of interest income of the Consolidated Company is as follows:

	2022	2021
Bank deposit interests	\$ 84,366	48,726
Other interest income	44	37
Total interest income	<u>\$ 84,410</u>	<u>48,763</u>

b. Other income

	2022	2021
Income from government grants	\$ 26,591	45,218
Other	4,839	4,987
Total Other income	<u>\$ 31,430</u>	<u>50,205</u>

c. Other gains and losses

	2022	2021
Loss on the disposal of property, plant and equipment	\$ (813)	(884)
Foreign exchange losses (gain)	319,857	(18,416)
Profit (losses) on financial assets and liabilities measured at fair value through profit	(93,071)	10,792
Impairment loss	(183,365)	-
Others	(47,532)	(8,721)
Other gains and losses, net	<u>\$ (4,924)</u>	<u>(17,229)</u>

d. Financial costs

	2022	2021
Interest expenses	<u>\$ (23,329)</u>	<u>(12,306)</u>

(22) Financial instruments

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

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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 a description of how the Consolidated Company determines low credit risk). No allowance for losses was provided for the years ended December 31, 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.

	<u>Book value</u>	<u>Contract cash flow</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December. 31, 2022							
Non-derivative financial liabilities							
Current borrowings	\$ 220,734	222,465	222,465	-	-	-	-
Accounts and notes payable	1,891,917	1,891,917	1,891,917	-	-	-	-
Other payables	484,168	484,168	484,168	-	-	-	-
Lease liabilities (including current and non-current)	41,169	39,709	16,218	14,187	9,304	-	-
Guarantee Deposits received	166,277	166,277	166,277	-	-	-	-
	\$ 2,804,265	2,804,536	2,781,045	14,187	9,304	-	-
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 payables	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	-

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The consolidated company does not expect the realizing of cash flows are 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 are as follows:

	Dec.31.2022			Dec.31.2021		
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 143,180	30.731	4,400,045	284,331	27.710	7,878,853
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	116,954	30.702	3,590,736	170,684	27.740	4,734,811

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, short-term borrowings, accounts payable and other payables, which result in foreign currency exchange gains or losses upon translation. For the years ended December 31, 2022 and 2021, if the New Taiwan dollar had weakened or strengthened by 5% against the U.S. dollar, with all other factors held constant, net income would have decreased or increased by \$32,373 thousand and \$125,762 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 losses (including realized and unrealized) amounted to \$319,857 thousand and \$18,416 thousand for the years ended December 31, 2022 and 2021, respectively.

d. Interest rate analysis

The Consolidated Company's exposure to interest rate risk on financial assets and financial liabilities is described in liquidity risk management in this note.

The following sensitivity analysis is based on the interest rate exposure of derivative and non-derivative instruments at the reporting date. For floating rate assets or liabilities, the analysis assumes that the amount of the asset or liability outstanding at the reporting date is outstanding throughout the year. The rate of change used in reporting interest rates internally to key management of the Consolidated Company is a 0.5% increase or decrease

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in interest rates, which also represents management's assessment of the range of reasonably possible changes in interest rates.

The Consolidated Company has fixed-rate assets and liabilities for both fiscal 2022 and 2021, and therefore no related interest rate exposure exists.

e. 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) are presented below:

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Dec.31.2022					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Current financial assets at fair value through profit or loss	\$ 9,642,472	9,642,472	-	-	9,642,472
Financial assets measured at amortized cost					
Cash and cash equivalents	6,758,947	-	-	-	-
Current financial assets at amortized cost	200	-	-	-	-
Notes receivable and accounts receivable (including the part from related parties)	2,659,333	-	-	-	-
Lease payments receivable (including current and non-current)	24,005	-	-	-	-
Other receivables	72,238	-	-	-	-
Guarantee deposits paid	2,233,260	-	-	-	-
Total	\$ 21,390,455	9,642,472	-	-	9,642,472
Current financial liabilities at fair value through profit or loss	\$ 1,306	1,306	-	-	1,306
Financial liabilities measured at amortized cost					
Current borrowings	\$ 220,734	-	-	-	-
Accounts and notes payable	1,891,917	-	-	-	-
Other current liabilities	484,168	-	-	-	-
Lease liabilities (including current and non-current)	41,169	-	-	-	-
Guarantee Deposits received	166,277	-	-	-	-
Total	\$ 2,805,571	1,306	-	-	1,306
Dec.31.2021					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Current financial liabilities 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 receivable 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

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		Dec.31.2021				
		Book value	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial liabilities measured at						
amortized cost						
Current borrowings	\$	777,808	-	-	-	-
Notes and accounts 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	-	-	-	-

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.

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).

(23) Financial risk management

a. Summary

The Consolidated Company is exposed to the following risks arising from the use of financial instruments:

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- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

These notes present information on the Consolidated Company's exposure to each of the above risks and the Consolidated Company's objectives, policies and procedures for measuring and managing those risks. For further quantitative disclosures, please refer to the respective notes to the consolidated financial statements.

b. Risk management framework

The Board of Directors has overall responsibility for overseeing the financial risk management structure of the Consolidated Company, the provision of services by the financial accounting department of the Consolidated Company to the various businesses, the coordination of financial market operations, and the execution of significant financial activities after review by the Board of Directors. During the implementation of the financial plan, the Group is required to comply with relevant financial operating procedures relating to overall financial risk management and segregation of powers and responsibilities, while internal auditors review policy compliance and exposure limits on an ongoing basis and report regularly to the Board on operations.

c. Credit risk

Credit risk is the risk of financial loss to the Consolidated Company arising from default by the clients or counterparties of financial instruments on the contract obligations, primarily from the Consolidated Company's accounts receivable from customers and bank deposits.

1) Accounts receivable and other receivables

The finance and accounting department has established a credit policy under which the Consolidated Company is required to analyze the credit rating of each new customer individually before granting standard payment and delivery terms and conditions. The Consolidated Company's reviews include, where available, information on external ratings and, in some cases, notes from banks. The credit limit is established on a customer-by-customer basis and represents the maximum amount outstanding that is not subject to approval by the financial accounting department. This limit is reviewed periodically. Customers who do not meet the Group's benchmark credit rating are only allowed to transact with the Consolidated Company on a pre-revenue basis.

The Consolidated Company's accounts receivable are due from a wide range of customers, spread across different industries and geographical areas. To reduce credit risk, the Consolidated Company regularly and continuously evaluates the financial position of these customers and the likelihood of collection of their accounts receivable, and provides an appropriate allowance for doubtful accounts. These major customers

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have a good track record of profitability and creditworthiness and the Consolidated Company has not suffered significant credit risk losses due to these major customers during the reporting period.

The Consolidated Company maintains an allowance for doubtful accounts to reflect the estimate of losses incurred on accounts receivable and other receivables. The main components of the allowance account comprise specific loss components related to individual significant exposures and portfolio loss components created for incurred but unidentified losses in similar groups of assets. The portfolio loss allowance account is determined based on historical payment statistics for similar financial assets.

2) Investment

The credit risk of bank deposits and other financial instruments is measured and monitored by the Consolidated Company's finance department. The Consolidated Company has no significant credit risk as its counterparties and performance counterparties are creditworthy banks and financial institutions and corporate organizations with investment grade or above, and there is no significant doubt about their performance.

d. Liquidity risk

Liquidity risk is the risk that the Consolidated Company will not be able to deliver cash or other financial assets to settle its financial liabilities and will not be able to fulfill its related obligations. The Consolidated Company manages liquidity by ensuring, as far as possible, that the Consolidated Company has sufficient liquidity to pay its liabilities as they fall due under normal and stressful circumstances without incurring unacceptable losses or risking damage to the Consolidated Company's reputation.

The Consolidated Company manages and maintains a sufficient portion of cash and cash equivalents to support its operations and mitigate the impact of cash flow fluctuations. The management of the Consolidated Company monitors the use of the banking facilities and ensures compliance with the terms of the loan agreements.

e. Market risk

Market risk is the risk that changes in market prices, such as changes in exchange rates, interest rates, or the price of equity instruments, will affect the Consolidated Company's earnings or the value of financial instruments held. The objective of market risk management is to manage market risk exposure to an affordable level and to optimize investment returns.

1) Exchange rate risk

The Consolidated Company's major import and sales transactions are denominated in U.S. dollars. As a result, the Consolidated Company adopts a natural hedging strategy for exposure to exchange rate risk arising from sales and purchase transactions that are

Fitipower Integrated Technology Inc. and Subsidiaries
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not denominated in a functional currency. When short-term imbalances in net assets and liabilities of the same denomination occur, the Consolidated Company ensures that net risk exposure is maintained at an acceptable level by obtaining or repaying foreign currency borrowings.

2) Interest rate risk

Interest rate risk refers to the risk of changes in fair value of financial instruments due to changes in market interest rates or the risk of changes in cash flows of financial instruments due to changes in market interest rates. The interest rate exposure of the Consolidated Company's financial assets and financial liabilities is described in liquidity risk management in this note.

3) Other market price risks

The Consolidated Company has equity price exposure arising from its investments in unlisted equity securities. These equity investments are not held for trading and are long-term strategic investments.

(24) Capital management

Based on the characteristics of the existing industry and the future development of the company, the Consolidated Company, by taking into account the changes in the external environment and other factors, plans for the operating capital, research and development expenses and dividend payments required by the Consolidated Company in the future, in order to ensure that it can continue its operations, reward its shareholders and protect the interests of other stakeholders, and maintain an optimal capital structure to enhance shareholders' value in the long run.

It is the Board's policy to maintain a sound capital base to sustain the confidence of investors, creditors and the market and to support the development of future operations. Capital comprises the Consolidated Company's share capital, capital surplus and retained earnings. The Board controls the rate of return on capital and the level of dividends on ordinary shares.

The Consolidated Company may repurchase treasury stock from the market at any time after securing approval from the Board of Directors, and the timing of such repurchase will depend on the market price. The primary purpose of repurchasing treasury shares is to transfer shares to employees to motivate them and to recruit talented employees. The purchase and sale of treasury shares are decided by the Board of Directors on a specific transaction basis.

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The debt-to-capital ratios at the reporting date are as follows:

	Dec 31, 2022	Dec 31, 2021
Total liabilities	\$ 4,311,948	6,908,027
Minus: Cash and cash equivalents	(6,758,947)	(7,042,205)
Net liabilities	<u>\$ (2,446,999)</u>	<u>(134,178)</u>
Total equity	<u>\$ 21,143,509</u>	<u>17,384,515</u>
Debt-to-capital ratio	<u>(11.57)%</u>	<u>(0.77)%</u>

(25) Investment and fund-raising activities by non-cash transactions

The Consolidated Company's investment and financing activities in non-cash transactions for the years ended December 31, 2022 and 2021 were as follows:

a. Right-of-use assets acquired by lease, please refer to Note 6(9).

b. The reconciliation of liabilities from financing activities is as follows:

			Non-cash changes		
			Change in exchange rate	Other	
	January 1, 2022	Cash flow			December 31, 2022
Current borrowings	\$ 777,808	(557,074)	-	-	220,734
Lease liabilities (including current and non-current)	83,504	(49,502)	196	6,971	41,169
Guarantee Deposits received	165,706	(5,708)	6,279	-	166,277
Total liabilities from financing activities	<u>\$ 1,027,018</u>	<u>(612,284)</u>	<u>6,475</u>	<u>6,971</u>	<u>428,180</u>

			Non-cash changes		
			Change in exchange rate	Other	
	January 1, 2021	Cash flow			December 31, 2021
Current borrowings	\$ -	777,808	-	-	777,808
Lease liabilities (including current and non-current)	70,979	(42,298)	(367)	55,190	83,504
Guarantee Deposits received	99,798	66,010	(102)	-	165,706
Total liabilities from financing activities	<u>\$ 170,777</u>	<u>801,520</u>	<u>(469)</u>	<u>55,190</u>	<u>1,027,018</u>

7. Transaction with related parties

(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

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Name of related party	Relationship with the consolidated company
Shenzhen Fugui Precision Industry Co., Ltd. (Renamed Shenzhen Fulian Fugui Precision Industry Co., Ltd. in November 2021.)	Other related party
Hongfujin Precision Electrons (Chongqing) Co., Ltd.	
Hongfujin Precision Electrons (Yantai) Co., Ltd.	Other related party
Nanning Fugui Precision Industry Co., Ltd. (Renamed Nanning Fulian Fugui Precision Industry Co., Ltd. in December 2021.)	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. (Renamed Foxconn Technology Group Co., Ltd. in December. 2022.(Foxconn))	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 are as follows:

	2022	2021
Hon Hai Precision	\$ 2,528	20,528
Kunshan Fuchengke	38,361	59,024
CLOUD NETWORK	82,693	51,177
FIH(HONG KONG)	60,003	41,355
Other related parties	81,500	304,087
	\$ 265,085	476,171

The sales conditions of the consolidated company to other related parties are not significantly different from general sales prices, and the agreed credit term is 90 days after the end of the month following acceptance. No collateral has been received for receivables between related parties, and after assessment, there is no need to set up a reserve for impairment losses.

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

b. Accounts receivable from related parties

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

Account Items	Type of Related Party	Dec 31, 2022	Dec 31, 2021
Accounts receivable	Hon Hai Precision	\$ 1,003	10,000
Accounts receivable	Foxconn	12,211	53,864
Accounts receivable	Kunshan Fuchengke	9,866	19,468
Accounts receivable	CLOUD NETWORK	28,462	21,387
Accounts receivable	FIH (HONG KONG)	24,131	5,071
Accounts receivable	Other related parties	13,822	51,391
Others	Socle Technology	-	387
		\$ 89,495	161,568

c. Purchase

The consolidated company's purchases from related parties are as follows:

	2022	2021
Other related parties — Socle Technology	\$ 31	853,086

Except when there are no comparable transactions available, and the transaction terms are determined through negotiation between the parties, the remaining consolidated company purchases from the related parties based on market prices. The payment term is 45 days after the end of the month, which is not significantly different from the terms with general suppliers.

d. Accounts payable to related parties

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

Account Items	Type of Related Party	Dec 31, 2022	Dec 31, 2021
Accounts payable	Other related parties — Socle Technology	\$ 32	-

e. Property Transactions

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

	2022	2021
Socle Technology	\$ -	14,442

As of December 31, 2022 and 2021, the payments resulting from the aforementioned transactions have been completed.

f. Donation expenses

As of December 31, 2022, the consolidated company donated 20,000 thousand to Fitipower Foundation, which was recorded under operating expenses.

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(3) Transactions related to key management personnel

Key management personnel compensation includes:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 96,745	58,477
Post-employment benefits	111	210
Share-based payment	-	967
	<u>\$ 96,856</u>	<u>59,654</u>

8. Pledged Assets

The carrying amounts of assets pledged by the consolidated company are as follows:

<u>Type of assets</u>	<u>Secured object</u>	<u>Dec 31, 2022</u>	<u>Dec 31, 2021</u>
Current financial assets at amortized cost (Time deposits)	Customs Margin	<u>\$ 200</u>	<u>200</u>

9. Significant Contingent Liabilities and Unrecognized Contractual Commitments

- (1) As of December 31, 2022 and 2021, the Consolidated Company had \$4,770,530 thousand and \$4,344,240 thousand, respectively, of guarantee deposit notes issued to obtain short-term loan facilities.
- (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 \$1,322,400 thousand (RMB300, 000 thousand) as of December 31, 2022, which was accounted for as a guarantee deposit.

10. Losses due to major disasters: None

11. Subsequent Events: None

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Notes to the Consolidated Financial Statements

12. Others

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

Function Nature	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	77,021	2,223,154	2,300,175	75,363	2,081,235	2,156,598
Labor/Health insurance expenses	4,334	96,090	100,424	3,361	73,672	77,033
Pension expenses	2,586	68,371	70,957	2,146	54,121	56,267
Compensation of directors	-	1,107	1,107	-	858	858
Other employee benefit expenses	2,620	58,025	60,645	2,121	45,076	47,197
Depreciation expenses	72,080	259,000	331,080	42,556	171,744	214,300
Amortization expenses	-	60,965	60,965	18	25,000	25,018

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 year ended Dec. 31, 2022 is as follows:

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

Unit: NT\$ thousands

No. (Note 1)	Company Name of Endorser	Endorser Company Name	Guarantees Relationship (Note 2)	Endorsement guarantee for a single enterprise Limit	Maximum Endorsement Guarantee Balance	Endorsement guarantee balance at the end of the period	Actual expenditures	Amount of endorsement guarantee by property guarantee	Ratio of accumulated endorsement guarantee to net worth of the most recent financial statements	Endorsement Guarantee Maximum Amount	Parent company endorsement of subsidiary	Subsidiary endorsement of parent company	The guarantee is endorsed for the mainland area.
1	Jadard Technology INC.	Hefei Jadard	2	3,207,172	184,260	184,260	-	-	1.06%	4,810,757	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.

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 subsidiaries 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.

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- 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 (thousand 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	239,118	3,291,506	-	3,291,506	
The Company	Union Money Market Fund	-	Current financial assets at fair value through profit or loss	118,404	1,588,489	-	1,588,489	
The Company	Allianz Global Investors Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	71,815	914,582	-	914,582	
The Company	Hua Nan Phoenix Money Market Fund	-	Current financial assets at fair value through profit or loss	51,883	857,077	-	857,077	
The Company	Taishin Ta-Chong Money Market Fund	-	Current financial assets at fair value through profit or loss	74,312	1,072,410	-	1,072,410	
The Company	Yuanta Wan Tai Money Market Fund	-	Current financial assets at fair value through profit or loss	32,871	505,204	-	505,204	
The Company	Yuanta De-Li Money Market Fund	-	Current financial assets at fair value through profit or loss	54,993	911,205	-	911,205	
Pu Yu Investment Co., Ltd	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	25,487	350,839	-	350,839	
Pu Yu Investment Co., Ltd	Union Money Market Fund	-	Current financial assets at fair value through profit or loss	11,225	150,593	-	150,593	

- 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

Investor	Types and Names of Marketable Securities	Financial statement account	Transaction counterpart	Relationships	Beginning of the period		Acquisition		Sale				End of the period	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Cost	+/-	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	510,297	6,998,201	386,173	5,301,501	5,283,396	18,105	239,118	3,291,506
The Company	Beneficiary Certificate-Risheng Money Market Fund	Current financial assets at fair value through profit or loss	-	-	162,230	2,431,362	32,077	481,000	194,307	2,919,741	2,910,979	8,762	-	-
The Company	Beneficiary Certificate -- Franklin Templeton Sinoam Money Market Fund	Current financial assets at fair value through profit or loss	-	-	84,218	880,385	-	-	84,218	882,363	879,877	2,486	-	-
The Company	Beneficiary Certificate - FSITC Taiwan Money Market	Current financial assets at fair value through profit or loss	-	-	-	-	101,964	1,578,000	101,964	1,580,736	1,578,000	2,736	-	-
The Company	Beneficiary Certificate- Union Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	268,959	3,600,157	150,555	2,018,157	2,012,000	6,157	118,404	1,588,489
The Company	Beneficiary Certificate - Allianz Global Investors Taiwan Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	71,815	913,000	-	-	-	-	71,815	914,582

Fitipower Integrated Technology Inc. and Subsidiaries

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Investor	Types and Names of Marketable Securities	Financial statement account	Transaction counterparty	Relationships	Beginning of the period		Acquisition		Sale				End of the period	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Cost	+/-	Number of shares	Amount
The Company	Beneficiary Certificate - Hua Nan Phoenix Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	51,883	855,000	-	-	-	-	51,883	857,077
The Company	Beneficiary Certificate - Taishin Ta-Chong Money Market Fund	Current financial assets at fair value through profit or loss			-	-	74,312	1,071,000	-	-	-	-	74,312	1,072,410
The Company	Beneficiary Certificate - Yuanta Wan Tai Money Market Fund	Current financial assets at fair value through profit or loss			-	-	32,871	505,000	-	-	-	-	32,871	505,204
The Company	Beneficiary Certificate - Yuanta De-Li Money Market Fund	Current financial assets at fair value through profit or loss			-	-	54,993	910,000	-	-	-	-	54,993	911,205
PUYU Investment	Beneficiary Certificate - Taishin 1699 Money Market Fund	Current financial assets at fair value through profit or loss			-	-	25,487	350,000	-	-	-	-	25,487	350,839
The Company	Investment in the stock of a company not listed or traded O-T-C	Investments accounted for using the equity method	Pu Yu Investment	Subsidiary	-	-	50,000	500,000	-	-	-	-	50,000	501,872

- 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:

Unit: NT\$ thousands

Company Name	Name of the counterparty	Relationship	Transaction details				Situation and reason of why trading conditions are different from general trading		Notes/ accounts receivable or payable		Note
			Purchases (Sales)	Amount	Ratio to total purchases/sales amount	Loan period	Unit price	Loan period	Balance	Ratio to total amount of notes/accounts receivable or payable	
Hefei Jadard	Jadard Technology Limited Taiwan Branch	Associate	Sales	530,201	2.69 %	120 days for monthly checkout	-	-	131,380	4.93%	
Hefei Jadard	Jadard Technology Limited	Associate	Sales	453,678	2.31 %	120 days for monthly checkout	-	-	28,390	1.07%	
Hefei Jadard	Jadard Technology INC.	Associate	Sales	1,487,720	7.56 %	120 days for monthly checkout	-	-	71,207	2.67%	

- h. Receivables from Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or

Fitipower Integrated Technology Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

More:

Unit: NT\$ thousands

The Company's accounts receivable	Name of counterparty	Relationship	Balance of receivables from related parties	Turnover rate	Overdue amounts due from related parties		Subsequent recoveries of amounts due from related parties	Allowance for losses
					Amount	Respond		
Hefei Jadard	Jadard Technology Limited Taiwan Branch	Associate	131,380	3.15	-	-	52,771	-

- i. Engaged in derivatives trading: Refer to Note 6(2).
- j. Business relationships, significant transactions, and amount between the parent company and subsidiaries and between subsidiaries:

Unit: NT\$ thousands

No.	Name of the transaction counterparty	Name of counter-party	Nature of relationship	Conditions of transactions			
				Account name	Amount	Terms of transaction	Percentage to consolidated net revenue or total assets
1	Hefei Jadard	Jadard Technology Limited Taiwan Branch	3	Sales	530,201	120 days for monthly checkout	2.69%
1	Hefei Jadard	Jadard Technology Limited	3	Sales	453,678	120 days for monthly checkout	2.31%
1	Hefei Jadard	Jadard Technology INC.	2	Sales	1,487,720	120 days for monthly checkout	9.56%

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.

Fitipower Integrated Technology Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

(2) Information about the re-investment:

Information on the consolidated companies' re-investments for the year ended December 31, 2022 is as follows (excluding the investee company in China):

Unit: NT\$ thousands/ thousand shares

Investor Company	Investee Company	Location	Main businesses	Original investment amount		Balance as of the end			Maximum shareholding or capitalization in the period	Net income (loss) of the investee	Share of profit/loss of investee	Note
				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%	4,280,162	100.00%	313,647	313,647	Note
Trade Logic	Ever Harvest	Samoa	Investment	302,296	302,296	10,000	100.00%	4,280,162	100.00%	313,647	313,647	Note
The Company	Visual Sensing Technology	Hsinchu City	IC design	260,000	145,000	23,000	89.16%	106,358	89.16%	(91,212)	(84,899)	Note
Jadard Technology INC.	Jadard Technology Limited	HK	General trade	270,264	270,264	9,200	100.00%	401,205	100.00%	(134,208)	(134,208)	Note
The Company	Pu Yu Investment	Taipei City	Investment	500,000	-	50,000	100.00%	501,872	100.00%	1,872	1,872	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) Investment 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-up capital	Method of investment (Note 1)	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	Maximum shareholding or capitalization in the period	Investment gains (losses) recognized in the current period (Note 2)	Carrying amount as of the end	Ending balance of accumulated inward remittance of earnings
					Investee Company	Main businesses							
Jadard Technology INC.	IC design	1,775,284 (Note 3)	(1)	302,296	-	-	302,296	526,610	55.04%	55.04%	313,647	4,280,162	-
Hefei Jadard	Supply chain management	224,523 (Note 4)	(2)	-	-	-	-	4,533	55.04%	55.04%	2,700	364,005	-
Xiamen Jadard	Supply chain management	4,344 (Note 5)	(2)	-	-	-	-	(1,513)	55.04%	55.04%	(901)	1,974	-

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 recognized on the basis of the financial statements audited by the parent company's certified public accountants in Taiwan.

Note 3 : The paid-in capital was RMB 405,556 thousand, which was translated into NT\$1,775,284 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.

Fitipower Integrated Technology Inc. and Subsidiaries
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b. Investment Limit to Mainland China:

Unit: NT\$ thousands

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	10,436,828

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".

(4) Information of major shareholders:

Unit: share

Name of major shareholder	Share	Number of shares currently held	Shareholding percentage
Hyield Venture Capital Co., Ltd.		13,213,984	7.08%
Bao Shin International Investments Co., Ltd.		10,540,000	5.65%
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.