

**Fitipower Integrated Technology Inc.
and Subsidiaries**

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

For the Three Months Ended March 31, 2023 and 2022

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Independent Auditors' Review Report

To the Board of Directors of
Fitipower Integrated Technology Inc.

Introduction

We have reviewed the accompanying consolidated statements of financial position of Fitipower Integrated Technology Inc. and its subsidiaries as of March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard (“IASs”) 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Fitipower Integrated Technology Inc. and its subsidiaries as of March 31, 2023 and 2022, its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2023 and 2022, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Pei-Ju Hsiao and Fang-Yi Li.

KPMG

Taipei, Taiwan (Republic of China)

April 27, 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 accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

Fitipower Integrated Technology Inc. and Subsidiaries

Consolidated Balance Sheet

March 31, 2023, December 31, 2022 and March 31, 2022

Unit: NT\$ thousands

Assets		March 31, 2023		December 31, 2022		March 31, 2022		Liabilities and equity		March 31, 2023		December 31, 2022		March 31, 2022			
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%		
Current assets:								Current liabilities:									
1100	Cash and cash equivalents (Note 6 (1))	\$	6,464,849	25	6,758,947	27	4,203,687	16	2100	Current borrowings (Note 6 (13))	\$	-	-	220,734	1	2,271,988	8
1110	Current financial assets at fair value through profit or loss (Note 6 (2))		10,570,471	42	9,642,472	38	9,454,228	36	2120	Current financial liabilities at fair value through profit or loss (Note 6 (2))		787	-	1,306	-	35,083	-
1136	Current financial assets at amortized cost (Note 6 (1) and Note 8)		4,200	-	200	-	515,200	2	2130	Current contract liabilities (Note 6 (20))		141,624	1	133,496	1	89,339	-
1170	Accounts receivable, net (Note 6 (4))		2,720,234	11	2,569,838	10	4,878,264	18	2170	Accounts and notes payable (Note 7)		1,556,624	6	1,891,917	7	2,428,642	9
1181	Accounts receivable due from related parties (Note 6 (4) and Note 7)		55,783	-	89,495	-	121,239	-	2230	Current tax liabilities		880,986	3	800,658	3	1,624,613	6
1175	Lease payments receivable		12,985	-	12,828	-	12,319	-	2280	Current lease liabilities (Note 6 (14))		37,554	-	32,536	-	45,171	-
1200	Other receivables (Note 7)		96,084	-	72,238	-	2,083	-	2399	Other current liabilities (Note 6 (12))		887,166	4	985,140	4	943,091	5
130X	Current inventories, net (Note 6 (5))		2,040,569	8	2,506,847	10	3,603,056	14				3,504,741	14	4,065,787	16	7,437,927	28
1410	Prepayments and other current assets (Note 6 (6))		155,015	2	165,506	2	590,461	2									
			22,120,190	88	21,818,371	87	23,380,537	88									
Non-current assets:								Non-current liabilities:									
1517	Non-current financial assets at fair value through other comprehensive income (Note 6 (3))		21,840	-	-	-	-	-	2570	Deferred tax liabilities		71,251	-	71,251	-	373	-
1600	Property, plant and equipment (Note 6 (9))		1,056,182	4	1,054,976	4	794,746	3	2580	Non-current lease liabilities (Note 6 (14))		40,090	-	8,633	-	29,724	-
1755	Right-of-use assets (Note 6 (10))		77,425	-	40,835	-	72,583	-	2645	Guarantee Deposits received		149,940	1	166,277	1	154,637	1
1780	Intangible assets (Note 6 (11))		88,784	-	83,883	-	248,438	1				261,281	1	246,161	1	184,734	1
1840	Deferred tax assets		26,693	-	51,363	-	16,994	-				3,766,022	15	4,311,948	17	7,622,661	29
1900	Other non-current assets (Note 6 (12))		1,981,453	8	2,394,852	9	2,221,827	8	Total liabilities								
1935	Long-term lease payments receivable		7,872	-	11,177	-	21,911	-	Equity: (Note 6 (7), (8), (17) and (18))								
			3,260,249	12	3,637,086	13	3,376,499	12	3110	Capital stock		1,865,453	7	1,865,453	7	1,865,453	7
									3200	Capital surplus		8,619,926	34	8,615,095	34	6,986,364	26
										Retained earnings :							
									3310	Legal reserve		853,945	3	853,945	3	268,720	1
									3320	Special reserve		43,782	-	43,782	-	13,192	-
									3350	Unappropriated retained earnings		6,475,034	26	6,054,591	24	8,274,221	31
												7,372,761	29	6,952,318	27	8,556,133	32
									3400	Other equity		34,387	-	(28,704)	-	38,941	-
									3500	Treasury stock		(9,449)	-	(9,449)	-	(9,449)	-
										Total equity attributable to owners of parent		17,883,078	70	17,394,713	68	17,437,442	65
									36XX	Non-controlling interest		3,731,339	15	3,748,796	15	1,696,933	6
										Total equity		21,614,417	85	21,143,509	83	19,134,375	71
Total assets		\$	25,380,439	100	25,455,457	100	26,757,036	100	Total liabilities and equity		\$	25,380,439	100	25,455,457	100	26,757,036	100

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

Chairman: Lin, Yung-Chieh

Manager: Chiu, Shu-Hui

CAO: Chen, Po-Tsang

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

Fitipower Integrated Technology Inc. and Subsidiaries

Consolidated Statement of Comprehensive Income

For the three months ended March 31, 2023 and 2022

Unit: NT\$ thousands

		Three Months Ended March 31			
		2023		2022	
		Amount	%	Amount	%
4111	Operating revenue (Note 6 (20) and Note 7)	\$ 3,936,819	100	5,961,667	100
5000	Operating cost (Note 6 (5) (12), Note 7 and Note 12)	2,736,898	70	3,267,746	55
5900	Gross profit from operations	1,199,921	30	2,693,921	45
	Operating expense: (Note 6 (4) (12) (14) (15) (18) (21), Note 7 and Note 12)				
6100	Selling expense	79,828	2	101,434	2
6200	Administration expense	86,775	2	101,151	2
6300	Research and development expense	541,095	14	558,995	9
6450	Impairment loss	1,020	-	227	-
		708,718	18	761,807	13
6900	Net operating income	491,203	12	1,932,114	32
	Non-operating income and expense: (Note (14) and (22))				
7100	Interest income	45,988	1	8,731	-
7010	Other income	4,076	-	4,934	-
7020	Other gains and losses, net	4,241	-	41,852	1
7050	Financial costs, net	(2,290)	-	(5,390)	-
		52,015	1	50,127	1
7900	Income before income tax	543,218	13	1,982,241	33
7950	Less: Income tax expense (Note 6 (16))	106,928	2	373,924	6
8000	Net income	436,290	11	1,608,317	27
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(422)	-	-	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive income that will not be reclassified to profit or loss	(422)	-	-	-
8360	Components of other comprehensive income that will be reclassified to profit or loss (Note 6 (16))				
8361	Exchange differences on translation	(26,652)	(1)	162,179	3
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	15,872	-	20,636	-
	Total components of other comprehensive income that will be reclassified to profit or loss	(42,524)	(1)	141,543	3
8300	Total other comprehensive income	(42,946)	(1)	141,543	3
8500	Total comprehensive income	<u>\$ 393,344</u>	<u>10</u>	<u>1,749,860</u>	<u>30</u>
	Profit attributable to:				
8610	Profit, attributable to owners of parent	\$ 420,443	11	1,509,124	25
8620	Profit, attributable to non-controlling interests	15,847	-	99,193	2
		<u>\$ 436,290</u>	<u>11</u>	<u>1,608,317</u>	<u>27</u>
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	\$ 483,534	12	1,591,847	27
8720	Comprehensive income, attributable to non-controlling interests	(90,190)	(2)	158,013	3
		<u>\$ 393,344</u>	<u>10</u>	<u>1,749,860</u>	<u>30</u>
	Earnings per share (Unit: NT\$1) (Note 6 (19))				
9750	Basic earnings per share	<u>\$ 2.26</u>		<u>8.11</u>	
9850	Diluted earnings per share	<u>\$ 2.25</u>		<u>8.02</u>	

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

Chairman: Lin, Yung-Chieh

Manager: Chiu, Shu-Hui

CAO: Chen, Po-Tsang

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

Fitipower Integrated Technology Inc. and Subsidiaries
Consolidated Statement of Changes in Equity
For the three months ended March 31, 2023 and 2022

Unit: NT\$ thousands

	Equity attributed to owners of parent										
	Retained earnings					Other equity items		Treasury stock	Total equity attributable to owners of parent	Non-controlling interests	Total equity
						Exchange difference on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income				
	Share capital for common stock	Capital surplus	Legal reserve	Special reserve	Undistributed retained earnings						
Balance at January 1, 2022	\$ 1,865,453	6,986,364	268,720	13,192	6,765,097	(43,782)	-	(9,449)	15,845,595	1,538,920	17,384,515
Net income in 2022	-	-	-	-	1,509,124	-	-	-	1,509,124	99,193	1,608,317
Other comprehensive income in 2022, net of income tax	-	-	-	-	-	82,723	-	-	82,723	58,820	141,543
Total comprehensive income in 2022	-	-	-	-	1,509,124	82,723	-	-	1,591,847	158,013	1,749,860
Balance at March 31, 2022	\$ 1,865,453	6,986,364	268,720	13,192	8,274,221	38,941	-	(9,449)	17,437,442	1,696,933	19,134,375
Balance at January 1, 2023	\$ 1,865,453	8,615,095	853,945	43,782	6,054,591	(28,704)	-	(9,449)	17,394,713	3,748,796	21,143,509
Net income in 2023	-	-	-	-	420,443	-	-	-	420,443	15,847	436,290
Other comprehensive income in 2023, net of income tax	-	-	-	-	-	63,513	(422)	-	63,091	(106,037)	(42,946)
Total comprehensive income in 2023	-	-	-	-	420,443	63,513	(422)	-	483,534	(90,190)	393,344
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	4,831	-	-	-	-	-	-	4,831	(4,831)	-
Issuance of shares for non-controlling interests	-	-	-	-	-	-	-	-	-	77,564	77,564
Balance at March 31, 2023	\$ 1,865,453	8,619,926	853,945	43,782	6,475,034	34,809	(422)	(9,449)	17,883,078	3,731,339	21,614,417

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

Chairman: Lin, Yung-Chieh

Manager: Chiu, Shu-Hui

CAO: Chen, Po-Tsang

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

Fitipower Integrated Technology Inc. and Subsidiaries
Consolidated Statement of Cash Flows
For the three months ended March 31, 2023 and 2022

Unit: NT\$ thousands

	Three Months Ended March 31	
	2023	2022
Cash flows from operating activities:		
Income before income tax	\$ 543,218	1,982,241
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	102,546	73,492
Amortization expense	22,822	13,386
Expected credit loss	1,020	227
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(29,336)	37,178
Interest expense	2,290	5,390
Interest income	(45,988)	(8,731)
Share-based payment	2,765	14,506
Inventory valuation and disposal loss (gain on reversal)	(14,389)	20,324
Total adjustments to reconcile profit (loss)	41,730	155,772
Changes in operating assets and liabilities:		
Decrease in lease payments receivable	3,148	1,995
Decrease (increase) in accounts receivable	(117,704)	12,597
Decrease (increase) in other receivables	(23,429)	118,519
Decrease (increase) in inventories	480,667	(284,991)
Decrease (increase) in prepayments and other current assets	10,491	(41,614)
Decrease (increase) in other non-current assets	21,437	(22,366)
Decrease in accounts payable	(320,114)	(1,006,967)
Increase in contract liabilities	8,128	4,885
Decrease in other current liabilities	(110,418)	(8,545)
Total changes in operating assets and liabilities	(47,794)	(1,226,487)
Cash inflow generated from operations	537,154	911,526
Interest received	45,575	9,121
Interest paid	(2,290)	(4,622)
Income taxes paid	(4,918)	(37,917)
Net cash inflow from operating activities	575,521	878,108
Cash flow from investing activities :		
Acquisition of financial assets at fair value through other comprehensive income	(22,262)	-
Acquisition of financial assets at fair value through profit or loss	(1,996,126)	(5,003,000)
Proceeds from disposal of financial assets at fair value through profit or loss	1,096,944	439,000
Decrease (increase) in acquisition of financial assets at amortized cost	(4,000)	45,000
Acquisition of property, plant and equipment	(89,862)	(178,515)
Acquisition of intangible assets	(27,729)	(13,792)
Increase (decrease) in refundable deposits	337,051	(484,420)
Net cash outflow from investing activities	(705,984)	(5,195,727)
Cash flow from financing activities:		
Increase (decrease) in current borrowings	(220,734)	1,494,180
Decrease in financial liabilities designated at fair value through profit or loss	-	(4,317)
Decrease in guarantee deposits received	(16,484)	(16,503)
Payments of lease liabilities	(11,803)	(12,264)
Change in non-controlling interests	77,564	-
Net cash inflow (outflow) from financing activities	(171,457)	1,461,096
Effects of exchange rate changes on cash and cash equivalents	7,822	18,005
Net decrease in cash and cash equivalents	(294,098)	(2,838,518)
Cash and cash equivalents at beginning of period	6,758,947	7,042,205
Cash and cash equivalents at end of period	\$ 6,464,849	4,203,687

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

Chairman: Lin, Yung-Chieh

Manager: Chiu, Shu-Hui

CAO: Chen, Po-Tsang

Fitipower Integrated Technology Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

March 31, 2023 and 2022

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

1. Company history

Fitipower Integrated Technology Inc. (hereinafter "the Company") was incorporated on July 4, 1995 with the approval of the Ministry of Economic Affairs and 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 April 27, 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).

Since January 1, 2023, the consolidated company has started to apply the following newly amended International Financial Reporting Standards, which did not have a significant impact on the consolidated financial statements:

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

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

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

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

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

(1) Compliance statement

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "Preparation Regulations") and the International Accounting Standard No. 34 "Interim Financial Reporting" approved by the Financial Supervisory Commission (FSC). The consolidated financial statements do not include all necessary information that should be disclosed in the complete annual consolidated financial statements prepared in accordance with the 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”).

Except as described below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statements for the year ended December 31, 2022. For the related information, please refer to Note 4 of the Consolidated Financial Statements for the year ended December 31, 2022.

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

(2) Consolidated basis

The subsidiaries included in these Consolidated Financial Statements consist of:

Name of Investment Company	Name of Subsidiary	Business Nature	Shareholding Percentage			Note
			March 31, 2023	December 31, 2022	March 31, 2022	
The Company	Trade Logic Limited (Trade Logic)	Investment company	100.00%	100.00%	100.00%	—
The Company	Visual Sensing Technology Corp. (Visual Sensing Technology)	IC design	89.16%	89.16%	83.35%	Note 1
The Company	Pu Yu Investment Co., Ltd. (Pu Yu Investment)	Investment company	100.00%	100.00%	- %	Note 2
Trade Logic Limited	Ever Harvest Limited (Ever Harvest)	Investment company	100.00%	100.00%	100.00%	—
Ever Harvest Limited	JADARD TECHNOLOGY INC. (Shenzhen Jadard)	IC design	54.57%	55.04%	61.15%	Note 3 & 4
JADARD TECHNOLOGY INC.	Hefei Jadard Technology Co., Ltd. (Hefei Jadard)	Supply Chain Management	100.00%	100.00%	100.00%	—
JADARD TECHNOLOGY INC.	Jadard Technology Limited (Jadard Technology)	General Trading	100.00%	100.00%	100.00%	—
JADARD TECHNOLOGY INC.	Xiamen Jadard Technology Co., Ltd. (Xiamen Jadard)	Supply Chain Management	100.00%	100.00%	100.00%	—

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: 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 3: 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.

Note 4: Jadard Technology INC. conducted an employee stock option exercise to increase capital by 3,465,741 shares on January 19, 2023. After the increase, the Company's shareholding ratio fell from 55.04% to 54.57%.

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

(3) Government grants

The consolidated company recognizes the unconditional portion of the government grant as other income when it becomes receivable. Government grants that compensate the consolidated company for expenses or losses incurred are recognized in profit or loss systematically over the periods in which the related costs are incurred.

(4) Income tax

The consolidated company measures and discloses income tax expenses for the interim period in accordance with paragraph B12 of IAS 34 'Interim Financial Reporting'.

Income tax expense is measured at the best estimate of the effective tax rate expected for the full year by the management, multiplied by the pre-tax profit for the interim reporting period, and is fully recognized as the current income tax expense.

Income tax expenses that are recognized directly in equity items or other comprehensive income items are measured at the applicable tax rate expected when realizing or settling the temporary differences between the carrying amounts of related assets and liabilities for financial reporting purposes and their tax bases.

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

When preparing these consolidated financial statements, the management must make judgments, estimates, and assumptions according to the Preparation Regulations and the International Accounting Standard No. 34 "Interim Financial Reporting" approved by the FSC. These will affect the adoption of accounting policies and the reported amounts of assets, liabilities, income, and expenses. The actual results may differ from estimates.

When preparing the consolidated financial statements, the significant judgments made by management in adopting the consolidated company's accounting policies and the primary sources of estimation uncertainty are consistent with Note 5 to the Consolidated Financial Statements for fiscal 2022.

6. Details of Significant Accounts

Except as noted below, there are no material differences between the descriptions of significant accounting items in these consolidated financial statements and the Consolidated Financial Statements for fiscal 2022. For related information, see Note 6 to the Consolidated Financial Statements for fiscal 2022.

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

(1) Cash and cash equivalents

	March 31, 2023	December 31, 2022	March 31, 2022
Cash	\$ 1,850	1,815	1,533
Checking and savings accounts	1,517,757	4,487,999	2,551,023
Time deposits	4,949,442	2,269,333	1,994,581
Repurchase agreement bonds	-	-	171,750
Less: Restricted deposits (recorded as financial assets measured at amortized cost) (Note 8)	(4,200)	(200)	(200)
Time deposits with original maturities of more than three months (recorded as financial assets measured at amortized cost)	-	-	(515,000)
	<u>\$ 6,464,849</u>	<u>6,758,947</u>	<u>4,203,687</u>

1) The interest rate range for the consolidated company's time deposits is as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Interest rate range	<u>0.98%~4.95%</u>	<u>0.85%~4.80%</u>	<u>0.04%~3.70%</u>

2) For the three months ended March 31, 2023, and 2022, the consolidated company did not record any impairment loss on financial assets measured at amortized cost. For other credit risk information, please refer to Note 6 (23).

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

1) Mandatorily measured at fair value through profit or loss:

	March 31, 2023	December 31, 2022	March 31, 2022
Financial assets mandatorily measured at fair value through profit or loss:			
Current:			
Open-end Funds	\$ 10,570,165	9,641,905	9,454,228
Exchange Contracts	306	540	-
Forward Foreign Exchange Contracts	-	27	-
	<u>\$ 10,570,471</u>	<u>9,642,472</u>	<u>9,454,228</u>
	<u>Mach 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Financial liabilities mandatorily measured at fair value through profit or loss:			
Current:			
Exchange Contracts	\$ 84	1,176	35,083
Forward Foreign Exchange Contracts	703	130	-
Total	<u>\$ 787</u>	<u>1,306</u>	<u>35,083</u>

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

	March 31, 2023			December 31, 2022			March 31, 2022		
	Contract Amount	Currency	Due date	Contract Amount	Currency	Due date	Contract Amount	Currency	Due date
Exchange Contracts									
USD	\$ 27,000	USD	2023.04	33,000	USD	2023.01	45,000	USD	2022.04
Forward Foreign									
Exchange Contracts									
Sell USD forward									
foreign exchange	7,000	USD	2023.04	6,000	USD	2023.01	-	-	-

For the three months ended March 31, 2023, and 2022, the net valuation of financial assets (liabilities) generated by the above transactions measured at fair value through profit or loss were profit of \$24,832 thousand and loss of \$42,697 thousand, respectively.

3) For the amount recognized at fair value through profit or loss, please refer to Note 6 (22).

4) For market and liquidity risk information, please refer to Note 6 (23).

5) The above financial assets have not been pledged as collateral.

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

	March 31, 2023	December 31, 2022	March 31, 2022
Equity instruments at fair value through other comprehensive income:			
Public quoted equity	\$ 21,840	-	-

1) The consolidated company holds these equity instrument investments as long-term strategic investments and not held for trading purposes, so they are designated at fair value through other comprehensive income at initial recognition.

2) The consolidated company did not dispose of any strategic investments from January 1, 2023, to March 31, 2023, so there was no transfer of cumulative profit and loss within equity during this period.

3) For market risk information, please refer to Note 6 (23).

4) The above financial assets have not been pledged as collateral.

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

	March 31, 2023	December 31, 2022	March 31, 2022
Accounts receivable (including the part from related parties)	\$ 2,783,387	2,665,683	5,012,769
Less: Allowance for impairment losses	(7,370)	(6,350)	(13,266)
	<u>\$ 2,776,017</u>	<u>2,659,333</u>	<u>4,999,503</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:

	March 31, 2023		
	Accounts receivable (including the part from related parties)	Weighted average expected credit loss rate	Expected credit losses in the duration of allowance
Not overdue	\$ 2,715,431	0.10%	2,710
Within 30 days past due	64,015	1.74%	1,117
61-90 days past due	364	10.71%	39
91-120 days past due	86	15.12%	13
More than 120 days past due	<u>3,491</u>	50%~100%	<u>3,491</u>
	<u>\$ 2,783,387</u>		<u>7,370</u>
	December 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	<u>1,190</u>	50%~100%	<u>1,190</u>
	<u>\$ 2,665,683</u>		<u>6,350</u>

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	March 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	\$ 4,929,727	0.00%	-
Within 30 days past due	21,376	1.14%	244
31-60 days past due	14,512	2.47%	358
61-90 days past due	4,219	16.31%	688
91-120 days past due	14,497	22.22%	3,221
More than 120 days past due	<u>28,438</u>	<u>30.79%</u>	<u>8,755</u>
	<u>\$ 5,012,769</u>		<u>13,266</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:

	Three Months Ended March 31	
	2023	2022
Beginning balance	\$ 6,350	13,039
Impairment losses	<u>1,020</u>	<u>227</u>
Ending balance	<u>\$ 7,370</u>	<u>13,266</u>

The consolidated company's accounts receivable have not been pledged as collateral.

(5) Net inventory

	March 31, 2023	December 31, 2022	March 31, 2022
Finished goods	\$ 661,909	775,849	1,359,997
Work-in-progress	840,534	1,031,913	1,442,149
Raw materials	<u>538,126</u>	<u>699,085</u>	<u>800,910</u>
	<u>\$ 2,040,569</u>	<u>2,506,847</u>	<u>3,603,056</u>

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1) The breakdown of cost of goods sold is as follows:

	Three Months Ended March 31	
	2023	2022
Cost of goods sold	\$ 2,751,287	3,247,422
Loss on decline in value of inventories and obsolescence (gain on reversal)	(14,389)	20,324
	\$ 2,736,898	3,267,746

2) As of March 31, 2023, December 31, 2022, and March 31, 2022, the consolidated company's inventory has not been pledged as collateral.

(6) Advance payment and other current assets

	March 31, 2023	December 31, 2022	March 31, 2022
Prepayment	\$ 105,913	29,793	371,890
Prepaid expenses	25,654	47,825	88,562
Tax credits and prepayments	23,189	87,534	124,222
Temporary Payment	259	354	5,787
	\$ 155,015	165,506	590,461

(7) Changes in ownership interests in subsidiaries

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

The consolidated company's significant subsidiary, 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 consolidated company's ownership of the subsidiary dropped from 61.15% to 55.04%. This change did not result in a loss of control and should be treated as an equity transaction. It increased the capital surplus by 1,636,704 thousand and did not affect profit and loss. As of March 31, 2023, and December 31, 2022, the fair values of JADARD TECHNOLOGY INC., which have public quotations, attributable to the consolidated company were 22,699,170 thousand and 16,499,563 thousand, respectively.

2) On January 19, 2023 JADARD TECHNOLOGY INC., carried out an increase in capital due to employees exercising stock rights, adding 3,465,741 shares. After the increase in capital, the consolidated company's ownership of the subsidiary dropped from 55.04% to 54.57%. This change did not result in a loss of control and should be treated as an equity transaction. It increased the capital surplus by 4,831 thousand and did not affect profit and loss.

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3) In October 2022, Visual-Sensing Technology Corp. carried out a capital increase in cash. After the capital increase, the consolidated company's ownership of the subsidiary increased from 83.35% to 89.16%. This change is treated as an equity transaction, decreasing the capital surplus by 7,973 thousand.

(8) Subsidiaries with significant non-controlling interests

The non-controlling interests in the subsidiaries 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		
		March 31, 2023	December 31, 2022	March 31, 2022
JADARD TECHNOLOGY	China	45.43%	44.96%	38.85%
Visual-Sensing Technology	Taiwan	10.84%	10.84%	16.65%

The aforementioned subsidiary, JADARD TECHNOLOGY INC., which is significant to the consolidated company, has the following summarized financial information. This financial information is prepared according to the International Financial Reporting Standards approved by the FSC, adjusted for differences in accounting policies, and the amounts are before the elimination of transactions between the companies:

Summarized financial information of JADARD:

	March 31, 2023	December 31, 2022	March 31, 2022
Current assets	\$ 7,106,504	7,180,381	3,940,626
Non-current assets	1,758,081	1,923,625	1,473,813
Current liabilities	(601,256)	(913,517)	(986,445)
Non-current liabilities	(155,304)	(172,560)	(164,667)
Net assets	<u>\$ 8,108,025</u>	<u>8,017,929</u>	<u>4,263,327</u>
Book value of non-controlling interests at the end of the period	<u>\$ 3,722,245</u>	<u>3,737,767</u>	<u>1,688,180</u>
	Three Months Ended March 31		
	2023	2022	
Operating income	<u>\$ 1,045,431</u>	<u>1,273,425</u>	
Net income	\$ 39,211	264,063	
Other comprehensive (loss) income	(6,045)	(744)	
Total comprehensive income	<u>\$ 33,166</u>	<u>263,319</u>	
Net profit for the period attributable to non-controlling interests	<u>\$ 17,782</u>	<u>102,585</u>	
Total comprehensive income attributable to non-controlling interests	<u>\$ 15,041</u>	<u>102,296</u>	

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	Three Months Ended March 31	
	2023	2022
Cash flows from (used in) operating activities	\$ 94,701	285,942
Cash flows from (used in) investing activities	114,459	(462,814)
Cash flows from (used in) financing activities	(239,989)	316,481
Increase (decrease) in cash and cash equivalents	<u>\$ (30,829)</u>	<u>139,609</u>

(9) 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, 2023	\$ 1,734,756	105,734	8,818	97	1,849,405
Addition	89,080	782	-	-	89,862
Disposal	(2,166)	(355)	-	-	(2,521)
Amount transferred in (out) in the current period	-	97	-	(97)	-
Effect of the changes in exchange rates	3,753	133	-	-	3,886
Balance at March 31, 2023	<u>\$ 1,825,423</u>	<u>106,391</u>	<u>8,818</u>	<u>-</u>	<u>1,940,632</u>
Balance at January 1, 2022	\$ 1,079,389	84,576	7,677	3,319	1,174,961
Addition	163,534	8,057	600	6,324	178,515
Disposal	(207)	-	-	-	(207)
Amount transferred in (out) in the current period	-	140	-	(140)	-
Effect of the changes in exchange rates	18,674	891	-	-	19,565
Balance at March 31, 2022	<u>\$ 1,261,390</u>	<u>93,664</u>	<u>8,277</u>	<u>9,503</u>	<u>1,372,834</u>
Depreciation:					
Balance at January 1, 2023	\$ 721,423	67,763	5,243	-	794,429
Depreciation	85,504	5,336	251	-	91,091
Disposal	(2,166)	(355)	-	-	(2,521)
Effect of the changes in exchange rates	1,386	65	-	-	1,451
Balance at March 31, 2023	<u>\$ 806,147</u>	<u>72,809</u>	<u>5,494</u>	<u>-</u>	<u>884,450</u>
Balance at January 1, 2022	\$ 458,360	48,009	3,792	-	510,161
Depreciation	56,490	4,640	397	-	61,527
Disposal	(207)	-	-	-	(207)
Effect of the changes in exchange rates	6,350	257	-	-	6,607
Balance at March 31, 2022	<u>\$ 520,993</u>	<u>52,906</u>	<u>4,189</u>	<u>-</u>	<u>578,088</u>
Book value:					
Balance at March 31, 2023	<u>\$ 1,019,276</u>	<u>33,582</u>	<u>3,324</u>	<u>-</u>	<u>1,056,182</u>
Balance at March 31, 2022	<u>\$ 740,397</u>	<u>40,758</u>	<u>4,088</u>	<u>9,503</u>	<u>794,746</u>

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As of March 31, 2023, December 31, 2022, and March 31, 2022, the consolidated company's property, plants, and equipment have not been pledged as collateral.

(10) 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:

	Buildings
Cost of right-to-use assets:	
Balance at January 1, 2023	\$ 112,919
Addition	49,379
Disposal	(10,866)
Effect of the changes in exchange rates	142
Balance at March 31, 2023	<u>\$ 151,574</u>
Balance at January 1, 2022	\$ 154,378
Addition	2,380
Disposal	(3,899)
Effect of the changes in exchange rates	977
Balance at March 31, 2022	<u>\$ 153,836</u>
Depreciation and impairment loss on right-of-use assets:	
Balance at January 1, 2023	\$ 72,084
Depreciation	11,455
Disposal	(9,497)
Effect of the changes in exchange rates	107
Balance at March 31, 2023	<u>\$ 74,149</u>
Balance at January 1, 2022	\$ 72,835
Depreciation	11,965
Disposal	(3,899)
Effect of the changes in exchange rates	352
Balance at March 31, 2022	<u>\$ 81,253</u>
Book value:	
Balance at March 31, 2023	<u>\$ 77,425</u>
Balance at March 31, 2022	<u>\$ 72,583</u>

(11) Intangible assets

- 1) 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, 2023	\$ 185,097	97,690	95,031	377,818
Separate acquisition	-	20,112	7,617	27,729
Effect of the changes in exchange rates	-	54	(13)	41
Balance at March 31, 2023	<u>\$ 185,097</u>	<u>117,856</u>	<u>102,635</u>	<u>405,588</u>

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	<u>Goodwill</u>	<u>Computer Software</u>	<u>Patent and know-how</u>	<u>Total</u>
Balance at January 1, 2022	\$ 185,097	38,587	81,881	305,565
Separate acquisition	-	10,913	2,879	13,792
Effect of the changes in exchange rates	-	819	814	1,633
Balance at March 31, 2022	<u>\$ 185,097</u>	<u>50,319</u>	<u>85,574</u>	<u>320,990</u>
Amortization and accumulated impairment:				
Balance at January 1, 2023	\$ 183,365	46,495	64,075	293,935
Amortization	-	18,037	4,785	22,822
Effect of the changes in exchange rates	-	33	14	47
Balance at March 31, 2023	<u>\$ 183,365</u>	<u>64,565</u>	<u>68,874</u>	<u>316,804</u>
Balance at January 1, 2022	\$ -	22,061	36,403	58,464
Amortization	-	6,816	6,570	13,386
Effect of the changes in exchange rates	-	475	227	702
Balance at March 31, 2022	<u>\$ -</u>	<u>29,352</u>	<u>43,200</u>	<u>72,552</u>
Book value:				
Balance at March 31, 2023	<u>\$ 1,732</u>	<u>53,291</u>	<u>33,761</u>	<u>88,784</u>
Balance at March 31, 2022	<u>\$ 185,097</u>	<u>20,967</u>	<u>42,374</u>	<u>248,438</u>

For the three months ended March 31, 2023 and 2022, the consolidated company's intangible assets did not have significant impairment provisions or reversals. For related information, please refer to Note 6 (10) to the consolidated financial statements for fiscal 2022.

(12) Other noncurrent assets

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Prepaid Bonus	\$ 138,483	136,970	110,741
Refundable deposits	1,841,298	2,233,260	2,111,086
Other	1,672	24,622	-
	<u>\$ 1,981,453</u>	<u>2,394,852</u>	<u>2,221,827</u>

- 1) 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

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manufacturing expenses and operating expenses over the contracted service period, and recognized manufacturing expenses and operating expenses of \$45,264 thousand and \$37,918 thousand for the three months ended March 31, 2023 and 2022, respectively.

- 2) 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 company considering market demands 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.

(13) Short-term loans

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

	March 31, 2023	December 31, 2022	March 31, 2022
Unsecured bank loans	\$ -	-	2,046,688
Non-financial institution borrowings	-	220,734	225,300
	<u><u>\$ -</u></u>	<u><u>220,734</u></u>	<u><u>2,271,988</u></u>
Interest rate collar	-	4.96%	0.60% ~ 4.96%
Unused loan commitment	<u><u>\$ 13,103,057</u></u>	<u><u>14,149,836</u></u>	<u><u>2,526,375</u></u>

(14) Lease liabilities

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

	March 31, 2023	December 31, 2022	March 31, 2022
Current	<u><u>\$ 37,554</u></u>	<u><u>32,536</u></u>	<u><u>45,171</u></u>
Non-current	<u><u>\$ 40,090</u></u>	<u><u>8,633</u></u>	<u><u>29,724</u></u>

For the maturity analysis, please refer to Note 6 (23) Financial Instruments.

The amount recognized in profit and loss is as follows:

	Three Months Ended March 31
	2023 2022
Interest expense of lease liabilities	<u><u>\$ 405</u></u> <u><u>455</u></u>
Cost of low-value leased assets (excluding low-value leases under short-term leases)	<u><u>\$ 935</u></u> <u><u>1,224</u></u>

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

	Three Months Ended March 31
	2023 2022
Total amount of cash outflow from lease	<u><u>\$ 13,143</u></u> <u><u>13,943</u></u>

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Leasing of buildings and structures

The consolidated company leases buildings and premises for office use. The lease term for these offices is usually one to five years, and the rental payments of some contracts are subject to changes in the local price index.

(15) 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 \$17,340 thousand and \$17,056 thousand for the three months ended March 31, 2023 and 2022, respectively.

(16) Income tax

1) 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 established in the British Virgin Islands and Samoa, respectively. According to the laws of their respective registered countries, they do not levy corporate income tax on international business companies established within their borders that have no local income. The statutory income tax rate for Jadard Technology INC. and Hefei Jadard Technology Co., Ltd. is 25%. Jadard Technology INC. enjoys a preferential tax rate of 15% for high-tech enterprises in China. The income tax rate for Jadard Technology Limited is 16.5%.

2) Income tax expense

The details of income tax expense of the consolidated company are as follows:

	Three months ended March 31	
	2023	2022
Income tax expense in the current period	\$ 106,928	373,924

Details of the income tax expenses recognized in the other comprehensive income of the consolidated company are as follows:

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	Three months ended March 31	
	2023	2022
Components of other comprehensive income that will be reclassified to profit or loss :		
Exchange differences on translation	\$ 15,872	20,636

3) The company and Visual-Sensing Technology Corp. have completed corporate income tax filings and have been audited by the tax authorities up to the fiscal year 2021. All overseas subsidiaries have filed tax returns with their local tax authorities up to the fiscal year 2021.

(17) Capital and other interests

As of March 31, 2023, December 31, 2022, and March 31, 2022, the company's authorized total share capital was \$3,000,000 thousand, with a par value of \$10 per share. Total issued shares were 186,545 thousand shares, and all issued shares were common stock.

For the three months ended March 31, 2023 and 2022, the number of common shares outstanding was 186,176 thousand shares.

1) Capital surplus

The balance of the company's capital reserves are as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Additional paid-in capital	\$ 6,102,418	6,102,418	6,102,418
Transaction of treasury shares	535	535	535
Difference between the carrying amount and the price of the shares of subsidiaries which were acquired or disposed	2,516,523	2,511,692	882,961
Other	450	450	450
	\$ 8,619,926	8,615,095	6,986,364

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% of paid-in capital.

2) 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

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appropriated or reversed as required by law or by the competent authority. The Board of Directors shall prepare a proposal for the distribution of the remaining earnings, together with the undistributed earnings at the beginning of the period, and submit it to the shareholders' meeting for resolution on the distribution of dividends to shareholders.

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

(I) Legal reserve

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

(II) 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.

(III) Distribution of earnings

The company's profit distribution plan for the year 2021 was resolved in the ordinary shareholders' meeting on June 22, 2022. Additionally, the profit distribution plan for the year 2022 was proposed by the board of directors on April 19, 2023, but has not yet been resolved by the shareholders' meeting. The amount distributed as dividends to shareholders is as follows:

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

3) Treasury shares

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

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	Three Months Ended March 31			
	2023		2022	
	Shares (in thousands)	Amount	Shares (in thousands)	Amount
Beginning Amount (equal to Ending Amount)	<u>369</u>	<u>\$ 9,449</u>	<u>369</u>	<u>9,449</u>

In 2020, due to the provisions of Article 28-2 of the Securities and Exchange Act, the company bought back a total of 369 thousand shares for transfer to employees. As of March 31, 2023 and 2022, the number of shares not cancelled totaled 369 thousand shares.

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.

4) Other equity

The changes in the company are other equity items are as follows:

	Exchange difference on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2023	\$ (28,704)	-	(28,704)
Differences from foreign currency translations (net amount after taxes)	63,513	-	63,513
Financial assets measured at fair value through other comprehensive income	-	(422)	(422)
Balance at March 31, 2023	<u>\$ 34,809</u>	<u>(422)</u>	<u>34,387</u>
Balance at January 1, 2022	\$ (43,782)	-	(43,782)
Differences from foreign currency translations (net amount after taxes)	82,723	-	82,723
Balance at March 31, 2022	<u>\$ 38,941</u>	<u>-</u>	<u>38,941</u>

(18) Share-based payment transaction

- 1) Except as described below, there were no significant changes in share-based payments in the consolidated company for the three months ended March 31, 2023 and 2022. For related information, please refer to Note 6 (17) of the consolidated financial statements for year 2022.

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2) Employee expenses

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

	Three Months Ended March 31	
	2023	2022
Costs incurred in connection with the issuance of employee stock options	<u><u>\$ 2,765</u></u>	<u><u>14,506</u></u>

(19) Earnings per share

The basic earnings per share and diluted earnings per share for the consolidated company are as follows:

1) Basic EPS

	Three Months Ended March 31	
	2023	2022
Net income attributable to the equity holders of the ordinary shares of the company	<u><u>\$ 420,443</u></u>	<u><u>1,509,124</u></u>
Weighted average number of the ordinary shares outstanding	<u><u>186,176</u></u>	<u><u>186,176</u></u>
Basic earnings per share (NT\$)	<u><u>\$ 2.26</u></u>	<u><u>8.11</u></u>

2) Diluted earnings per share

	Three Months Ended March 31	
	2023	2022
Net income attributable to the equity holders of the ordinary shares of the company	<u><u>\$ 420,443</u></u>	<u><u>1,509,124</u></u>
Weighted average number of the ordinary shares outstanding	186,176	186,176
Effect of the dilutive potential ordinary shares:		
— employee compensation	<u>956</u>	<u>1,961</u>
Weighted average number of the ordinary shares outstanding (after the adjustment to the effect of dilutive potential ordinary shares)	<u><u>187,132</u></u>	<u><u>188,137</u></u>
Diluted earnings per share (NT\$)	<u><u>\$ 2.25</u></u>	<u><u>8.02</u></u>

(20) Contractual revenue

1) Details of the contractual revenue

	Three Months Ended March 31	
	2023	2022
Major regional markets:		
Taiwan	\$ 449,005	796,604
China	2,392,907	4,253,572
Hong Kong	1,072,798	889,857

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	Three Months Ended March 31	
	2023	2022
Japan	1,531	11,725
South Korea	265	1,295
Other countries	20,313	8,614
	<u>\$ 3,936,819</u>	<u>5,961,667</u>
Main products/service lines:		
Display driver IC	\$ 2,905,327	4,339,913
Power management IC	584,256	757,308
Other	447,236	864,446
	<u>\$ 3,936,819</u>	<u>5,961,667</u>

2) Contract balances

Please refer to Note 6(4) for the disclosure of accounts receivable and impairment.

The initial balance of contract liabilities on January 1, 2023, and 2022 were recognized as income for the three months ended March 31, 2023 and 2022, amounting to \$81,538 thousand and \$19,051 thousand, respectively. The change in contract liabilities mainly resulted from the difference in time between when the consolidated company delivers goods to customers and satisfies its performance obligations and the time of customer payment.

(21) 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.

The company did not provide director remuneration for the three months ended March 31, 2023 and 2022. The estimated amounts of employee remuneration were \$27,208 thousand and \$97,218 thousand, respectively. The estimate was based on the company's pre-tax net profit for each period, deducting the amount before employee and director remuneration, and multiplying by the distribution ratio of employee and director remuneration set by the Company's articles of incorporation. It is reported as operating cost or operating expense for the three months ended March 31, 2023 and 2022. If the actual distribution amount in the next fiscal year differs from the estimated amount, it will be treated as a change in accounting estimate, and the difference will be recognized as profit or loss of the next fiscal year. If the board of directors resolves to distribute employee remuneration in shares, the calculation basis for the number of shares for

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share remuneration is based on the closing price of ordinary shares the day before the resolution of the board of directors.

The company did not provide director remuneration for the years 2022 and 2021, and the estimated amounts of employee remuneration were \$201,488 thousand and \$369,675 thousand, respectively. There was no difference from the content of the company's board of directors' resolutions. Employee remuneration for 2022 and 2021 was distributed in cash, and relevant information can be found on the Market Observation Post System website.

(22) Non-operating income and expenses

1) Interest income

The breakdown of interest income of the consolidated company is as follows:

	Three Months Ended March 31	
	2023	2022
Bank deposit interests	\$ 45,973	8,723
Other interest income	15	8
Total interest income	<u>\$ 45,988</u>	<u>8,731</u>

2) Other income

	Three Months Ended March 31	
	2023	2022
Income from government grants	\$ 3,176	4,095
Other	900	839
Total Other income	<u>\$ 4,076</u>	<u>4,934</u>

3) Other gains and losses

	Three Months Ended March 31	
	2023	2022
Foreign exchange losses (gain)	\$ (25,190)	88,195
Profit (losses) on financial assets and liabilities measured at fair value through profit	29,336	(37,178)
Others	95	(9,165)
	<u>\$ 4,241</u>	<u>41,852</u>

4) Financial costs

	Three Months Ended March 31	
	2023	2022
Interest expenses	<u>\$ (2,290)</u>	<u>(5,390)</u>

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(23) Financial instruments

Except as described below, there were no significant changes in the fair value of the consolidated company's financial instruments, or in the exposure to credit risk, liquidity risk, and market risk due to financial instruments. For related information, please refer to Note 6(22) of the consolidated financial statements for the year 2022.

1) Credit risk

(I) Credit risk exposure

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

(II) Concentration of credit risk

As the consolidated company has a wide customer base and does not significantly concentrate its transactions with a single customer, there is no significant concentration of credit risk for accounts receivable. To reduce credit risk, the consolidated company also regularly assesses the financial condition of its customers.

(III) Credit risk on receivables

Please refer to Note 6(4) for credit risk exposure information of receivables. Other financial assets measured at amortized cost including time deposits for over three months and other receivables are financial assets with low credit risk and therefore the allowance for losses for the period is measured at the expected credit loss amount for 12 months. (Please refer to Note 4(7) to the Consolidated Financial Statements for a description of how the consolidated company determines low credit risk). No allowance for losses was provided for the years ended March 31, 2023 and 2022.

2) Liquidity risk

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

	Book value	Contract cash flow	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
March 31, 2023							
Non-derivative financial liabilities							
Accounts and notes payable	\$ 1,556,624	1,556,624	1,556,624	-	-	-	-
Other payables	442,442	442,442	442,442	-	-	-	-
Lease liabilities (including current and non-current)	77,644	80,061	23,245	15,547	16,826	24,443	-
Guarantee Deposits received	149,940	149,940	149,940	-	-	-	-
Subtotal	<u>2,226,650</u>	<u>2,229,067</u>	<u>2,172,251</u>	<u>15,547</u>	<u>16,826</u>	<u>24,443</u>	<u>-</u>

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	Book value	Contract cash flow	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Derivative financial liabilities							
Currency swap contracts:							
Outflow	84	213,024	213,024	-	-	-	-
Inflow	-	(212,940)	(212,940)	-	-	-	-
Book value	84	84	84	-	-	-	-
Forward exchange contracts:							
Outflow	703	212,993	212,993	-	-	-	-
Inflow	-	(212,290)	(212,290)	-	-	-	-
Book value	703	703	703	-	-	-	-
Subtotal	787	787	787	-	-	-	-
Total	\$2,227,437	2,229,854	2,173,038	15,547	16,826	24,443	-

	Book value	Contract cash flow	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
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	-	-	-	-
Subtotal	2,804,265	2,804,536	2,781,045	14,187	9,304	-	-
Derivative financial liabilities							
Currency swap contracts:							
Outflow	1,176	1,011,101	1,011,101	-	-	-	-
Inflow	-	(1,009,925)	(1,009,925)	-	-	-	-
Book value	1,176	1,176	1,176	-	-	-	-
Forward exchange contracts:							
Outflow	130	92,140	92,140	-	-	-	-
Inflow	-	(92,010)	(92,010)	-	-	-	-
Book value	130	130	130	-	-	-	-
Subtotal	1,306	1,306	1,306	-	-	-	-
Total	\$2,805,571	2,805,842	2,782,351	14,187	9,304	-	-

	Book value	Contract cash flow	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
March 31, 2022							
Non-derivative financial liabilities							
Current borrowings	\$ 2,271,988	2,283,616	2,053,519	230,097	-	-	-
Accounts and notes payable	2,428,642	2,428,642	2,428,642	-	-	-	-
Other payables	325,258	325,258	325,258	-	-	-	-
Lease liabilities (including current and non-current)	74,895	69,487	21,727	19,331	24,214	4,215	-
Guarantee Deposits received	154,637	154,637	154,637	-	-	-	-
Subtotal	5,255,420	5,261,640	4,983,783	249,428	24,214	4,215	-

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	Book value	Contract cash flow	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Derivative financial liabilities							
Currency swap contracts:							
Outflow	35,083	1,288,057	1,288,057	-	-	-	-
Inflow	-	(1,252,974)	(1,252,974)	-	-	-	-
Book value	35,083	35,083	35,083	-	-	-	-
Subtotal	35,083	35,083	35,083	-	-	-	-
Total	\$ 5,290,503	5,296,723	5,018,866	249,428	24,214	4,215	-

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

3) Exchange rate risk

(I) Exposure of exchange risk

The consolidated company's financial assets and liabilities exposed to significant foreign currency exchange rate risk are as follows:

	March 31, 2023			December 31, 2022			March 31, 2022		
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 136,688	30.45	4,162,022	143,180	30.731	4,400,045	294,568	28.628	8,432,950
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	98,405	30.44	2,995,139	116,954	30.702	3,590,736	220,040	28.617	6,296,970

(II) Sensitivity analysis

The consolidated company's exchange rate risk mainly arises from foreign currency denominated cash and cash equivalents, accounts receivable and other receivables, other non-current assets, accounts payable, and other current liabilities, etc., generating foreign exchange gains or losses when converted. If the New Taiwan Dollar depreciates or appreciates by 5% against the US dollar on March 31, 2023, and 2022, and all other factors remain unchanged, the net profit after tax for the three months ended March 31, 2023, and 2022 would decrease or increase by \$41,416 thousand and \$85,439 thousand, respectively. Both periods' analyses are based on the same basis.

Due to the variety of functional currencies used by the consolidated company, consolidated disclosure is used to reveal information about the exchange losses and gains on monetary items. The foreign exchange losses and gains (including realized and unrealized) for the three months ended March 31, 2023, and 2022 were a loss of \$25,730 thousand and a gain of \$88,195 thousand, respectively.

4) Fair value information

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(I) 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:

March 31, 2023					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Current financial assets at fair value through profit or loss	\$ 10,570,471	10,570,471	-	-	10,570,471
Non-current financial assets at fair value through other comprehensive income					
Public quoted equity	21,840	21,840	-	-	21,840
Financial assets measured at amortized cost(Note)					
Cash and cash equivalents	6,464,849	-	-	-	-
Current financial assets at amortized cost	4,200	-	-	-	-
Notes receivable and accounts receivable (including the part from related parties)	2,776,017	-	-	-	-
Lease payments receivable (including current and non-current)	20,857	-	-	-	-
Other receivables	96,084	-	-	-	-
Guarantee deposits paid	1,841,298	-	-	-	-
Total	\$ 21,795,616	10,592,311	-	-	10,592,311
Current financial liabilities at fair value through profit or loss	\$ 787	787	-	-	787
Financial liabilities measured at amortized cost(Note)					
Accounts and notes payable	1,556,624	-	-	-	-
Other current liabilities	442,442	-	-	-	-
Lease liabilities (including current and non-current)	77,644	-	-	-	-
Guarantee Deposits received	149,940	-	-	-	-
Total	\$ 2,227,437	787	-	-	787

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		December 31, 2022			
		Fair Value			Total
	Book value	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(Note)	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(Note)					
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

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	March 31, 2022				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Current financial assets at fair value through profit or loss	\$ 9,454,228	9,454,228	-	-	9,454,228
Financial assets measured at amortized cost(Note)					
Cash and cash equivalents	4,203,687	-	-	-	-
Current financial assets at amortized cost	515,200	-	-	-	-
Notes receivable and accounts receivable (including the part from related parties)	4,999,503	-	-	-	-
Lease payments receivable (including current and non-current)	34,230	-	-	-	-
Other receivables	2,083	-	-	-	-
Guarantee deposits paid	2,111,086	-	-	-	-
Total	\$ 21,320,017	9,454,228	-	-	9,454,228
Current financial liabilities at fair value through profit or loss	\$ 35,083	35,083	-	-	35,083
Financial liabilities measured at amortized cost(Note)					
Current borrowings	\$ 2,271,988	-	-	-	-
Notes and accounts payable	2,428,642	-	-	-	-
Other current liabilities	325,258	-	-	-	-
Lease liabilities (including current and non-current)	74,895	-	-	-	-
Guarantee Deposits received	154,637	-	-	-	-
Total	\$ 5,290,503	35,083	-	-	35,083

Note: The book amount is a reasonable approximation of fair value and there is no need to disclose the fair value.

(II) Valuation techniques and assumptions used to measure fair value

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

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

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

(24) Financial risk management

The objectives and policies of the consolidated company's financial risk management have not significantly changed from what was disclosed in the Consolidated Financial Statements for the year 2022. For related information, please refer to Note 6(23) of the Consolidated Financial Statements for the year 2022.

(25) Capital management

The objectives, policies, and procedures of the consolidated company's capital management are consistent with what was disclosed in the Consolidated Financial Statements for the year 2022; furthermore, the aggregate quantitative data for items under capital management also have not significantly changed from what was disclosed in the Consolidated Financial Statements for the year 2022. For related information, please refer to Note 6(24) of the Consolidated Financial Statements for the year 2022.

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

The consolidated company's investment and financing activities in non-cash transactions for the three months ended March 31, 2023 and 2022 were as follows:

- 1) Right-of-use assets acquired by lease, please refer to Note 6(10).
- 2) The reconciliation of liabilities from financing activities is as follows:

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			Non-cash changes		
	January 1, 2023	Cash flow	Change in exchange rate	Other	March 31, 2023
Current borrowings	\$ 220,734	(220,734)	-	-	-
Lease liabilities (including current and non-current	41,169	(11,803)	(1,507)	49,785	77,644
Guarantee Deposits received	<u>166,277</u>	<u>(16,484)</u>	<u>147</u>	<u>-</u>	<u>149,940</u>
Total liabilities from financing activities	<u>\$ 428,180</u>	<u>(249,021)</u>	<u>(1,360)</u>	<u>49,785</u>	<u>227,584</u>

			Non-cash changes		
	January 1, 2022	Cash flow	Change in exchange rate	Other	March 31, 2022
Current borrowings	\$ 777,808	1,494,180	-	-	2,271,988
Lease liabilities (including current and non-current	83,504	(11,809)	365	2,835	74,895
Guarantee Deposits received	<u>165,706</u>	<u>(16,503)</u>	<u>5,434</u>	<u>-</u>	<u>154,637</u>
Total liabilities from financing activities	<u>\$ 1,027,018</u>	<u>1,465,868</u>	<u>5,799</u>	<u>2,835</u>	<u>2,501,520</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)	Entity with significant influence over the Company
Fitipower Environmental Sustainability Foundation (Fitipower Foundation)	Other related party
Hongfutai Precision Electronics (Yantai) Co., Ltd.	Other related party
Foxconn Interconnect Technology Limited Taiwan Branch (Cayman)	Other related party
Hongfujin Precision Industry (Wuhan) Co., Ltd.	Other related party
Fulina Ambit (Shanghai) Microsystems Co., Ltd.	Other related party
Shenzhen Fu Tai Hong Precision Industrial Co., Ltd.	Other related party
Shenzhen Fulian Fugui Precision Industry Co., Ltd.	Other related party
Hongfujin Precision Electronics (Chongqing) Co., Ltd.	Other related party
Hongfujin Precision Electronics (Yantai) Co., Ltd.	Other related party
Nanning Fulian Fugui Precision Industry Co., Ltd.	Other related party
Kunshan Fuchengke Precision Electronical Co., Ltd. (Kunshan Fuchengke)	Other related party
Socle Technology Corp. (Socle Technology)	Other related party

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Name of related party	Relationship with the consolidated company
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.)	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
FORTUNE BAY TECHNOLOGY PTE. LTD.	Other related party

(2) Significant transactions with related parties

1) Operating revenue

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

	Three Months Ended March 31	
	2023	2022
Hon Hai Precision	\$ 311	588
Kunshan Fuchengke	5,411	20,306
CLOUD NETWORK	11,972	22,513
FIH(HONG KONG)	10,436	1,376
Other related parties	<u>11,840</u>	<u>22,437</u>
	<u>\$ 39,970</u>	<u>67,220</u>

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.

2) Accounts receivable from related parties

Accounts receivable by the consolidated company to related parties were as follows:

Account Items	Type of Related Party	March 31, 2023	December 31, 2022	March 31, 2022
Accounts receivable	Hon Hai Precision	\$ 314	1,003	619
Accounts receivable	Kunshan Fuchengke	10,901	9,866	24,304
Accounts receivable	CLOUD NETWORK	17,103	28,462	30,709
Accounts receivable	FIH(HONG KONG)	10,436	24,131	1,376
Accounts receivable	Other related parties	17,029	26,033	64,231
Others	Socle Technology	-	-	387
		<u>\$ 55,783</u>	<u>89,495</u>	<u>121,626</u>

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3) Donation expenses

From January 1 to March 31, 2023, the consolidated company donated \$3,000 thousand to the Fitipower Foundation, which is recorded under operating expenses.

4) Accounts payable to related parties

Accounts payable by the consolidated company to related parties were as follows:

Account Items	Type of Related Party	March 31, 2023	December 31, 2022	March 31, 2022
Accounts payable	Other related parties —			
	Socle Technology	<u>\$ -</u>	<u>32</u>	<u>-</u>

(3) Transactions related to key management personnel

Key management personnel compensation includes:

	Three Months Ended March 31	
	2023	2022
Short-term employee benefits	\$ 12,481	17,383
Post-employment benefits	<u>54</u>	<u>35</u>
	<u>\$ 12,535</u>	<u>17,418</u>

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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>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Current financial assets at amortized cost (Time deposits)	Customs Margin	\$ 200	200	200
Current financial assets at amortized cost (Time deposits)	Engaging in purchase transactions to provide collateral to creditors	4,000	-	-
		<u>\$ 4,200</u>	<u>200</u>	<u>200</u>

9. Significant Contingent Liabilities and Unrecognized Contractual Commitments

- (1) The balance of the deposited guarantee notes issued by the consolidated company to obtain short-term borrowing financing quotas as of March 31, 2023, December 31, 2022, and March 31, 2022, was \$4,759,350 thousand, \$4,770,530 thousand, and \$4,798,363 thousand, respectively.
- (2) The consolidated company's subsidiary, Jadard Technology INC., signed a capacity reservation contract on December 30, 2021, and should pay a deposit of \$2,210,663 thousand (RMB 508,900 thousand). As of March 31, 2023, December 31, 2022, and March 31, 2022, the unpaid amounts were \$1,322,400 thousand (RMB 300,000 thousand), \$1,322,400 thousand (RMB 300,000 thousand), and \$1,834,484 thousand (RMB 407,120 thousand), respectively.

10. Losses due to Major Disasters: None

11. Subsequent Events

In order to adjust its capital structure, the company's board of directors approved a proposal on April 19, 2023, to implement a cash capital reduction and return of share capital amounting to \$652,909 thousand, which represents a reduction ratio of 35%. The execution of this cash capital reduction plan is pending the resolution of the annual general meeting of shareholders, which is expected to be held on May 31, 2023.

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12. Others

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

Function Nature	Three Months Ended March 31					
	2023			2022		
	Belonging to operating cost	Belonging to operating expense	Total	Belonging to operating cost	Belonging to operating expense	Total
Employee benefit expenses						
Payroll expenses	15,429	459,085	474,514	20,376	515,578	535,954
Labor/Health insurance expenses	1,045	25,481	26,526	954	18,635	19,589
Pension expenses	631	16,709	17,340	661	16,395	17,056
Compensation of directors	-	276	276	-	282	282
Other employee benefit expenses	601	13,185	13,786	703	13,527	14,230
Depreciation expenses	23,782	78,764	102,546	17,042	56,450	73,492
Amortization expenses	-	22,822	22,822	-	13,386	13,386

(2) Seasonality of operations:

The sale of the consolidated company's products follows the cycle of the consumer electronics industry and is subject to seasonal fluctuations due to demand in the end market.

13. Supplementary Disclosures

(1) Information on Significant Transactions

For the period from January 1 to March 31, 2023, the consolidated company has disclosed the following significant transaction-related information in accordance with the preparation guidelines:

- 1) Lending of funds to others: None
- 2) Provision of endorsement/guarantee: None.
- 3) 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%	-	note
The Company	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	240,930	3,327,094	-	3,327,094	
The Company	Union Money Market Fund	-	Current financial assets at fair value through profit or loss	74,366	1,000,381	-	1,000,381	
The Company	Allianz Global Investors Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	71,815	917,167	-	917,167	

Fitipower Integrated Technology Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

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	
The Company	Hua Nan Phoenix Money Market Fund	-	Current financial assets at fair value through profit or loss	87,327	1,446,915	-	1,446,915	
The Company	Taishin Ta-Chong Money Market Fund	-	Current financial assets at fair value through profit or loss	86,754	1,255,806	-	1,255,806	
The Company	Yuanta Wan Tai Money Market Fund	-	Current financial assets at fair value through profit or loss	36,737	566,242	-	566,242	
The Company	Yuanta De-Li Money Market Fund	-	Current financial assets at fair value through profit or loss	45,963	763,733	-	763,733	
The Company	Sinopac TWD Money Market Fund	-	Current financial assets at fair value through profit or loss	55,756	789,861	-	789,861	
The Company	InnoCare Optoelectronics Corp.	-	Non-current financial assets at fair value through other comprehensive income	168	21,840	0.43 %	21,840	
Pu Yu Investment Co., Ltd	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	25,487	351,966	-	351,966	
Pu Yu Investment Co., Ltd	Union Money Market Fund	-	Current financial assets at fair value through profit or loss	11,225	151,000	-	151,000	

Note: This investment was fully impaired and discontinued in 2013. As of March 31, 2023, the company has not yet carried out the cancellation procedure.

4) 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 counterparty	Relationships	Beginning of the period		Acquisition		Sale				End of the period	
					Number of shares (Unit)	Amount	Number of shares (Unit)	Amount	Number of shares (Unit)	Amount	Cost	Gain(Loss)	Number of shares (Unit)	Amount
The Company	Beneficiary certification - Union Money Market Fund	Current financial assets at fair value through profit or loss	-	-	118,404	1,588,489	9,165	123,000	53,203	715,000	713,617	1,383	74,366	1,000,381
The Company	Beneficiary certification - Hua Nan Phoenix Money Market Fund	Current financial assets at fair value through profit or loss	-	-	51,883	857,077	47,544	787,000	12,100	200,000	199,203	797	87,327	1,446,915
The Company	Beneficiary certification - Sinopac TWD Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	55,756	789,000	-	-	-	-	55,756	789,861

5) Acquisition of real estate amounting to at least NT\$300 million or 20% of the paid-in capital:

None

6) Disposal of real estate amounting to at least NT\$300 million or 20% of the paid-in capital:

None.

Fitipower Integrated Technology Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

- 7) 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	100,652	2.56 %	120 days for monthly checkout	-	-	138,441	4.97%	
Hefei Jadard	Jadard Technology Limited	Associate	Sales	122,317	3.11 %	120 days for monthly checkout	-	-	83,870	3.01%	

Note: All the transactions listed above were offset when preparing the Consolidated Financial Statements.

- 8) Receivables from Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or 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	138,441	2.98	-	-	-	-
Jadard Technology Limited	Jadard Technology INC.	Associate	138,185	-	-	-	-	-

Note: All the transactions listed above were offset when preparing the consolidated financial statements.

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

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	100,652	120 days for monthly checkout	2.56%
1	Hefei Jadard	Jadard Technology Limited	3	Sales	122,317	120 days for monthly checkout	3.11%

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 on Investees:

From January 1 to March 31, 2023, the following are the investment business information of the consolidated company (excluding investments in mainland companies):

Unit: NT\$ thousands/ thousand shares

Investor Company	Investee Company	Location	Main businesses	Original investment amount		Balance as of the end			Net income (loss) of the investee	Share of profit/loss of investee	Note
				End of the period	End of last year	Shares	Percentage of ownership	Book value			
The Company	Trade Logic	BVI	Investment	302,296	302,296	30	100.00%	4,385,781	21,429	21,429	Note
Trade Logic	Ever Harvest	Samoa	Investment	302,296	302,296	10,000	100.00%	4,385,781	21,429	21,429	Note
The Company	Visual Sensing Technology	Hsinchu City	IC design	260,000	260,000	23,000	89.16%	88,506	(17,844)	(17,852)	Note
Jadard Technology INC.	Jadard Technology Limited	Hong Kong	General trade	270,264	270,264	9,200	100.00%	296,251	(100,760)	(100,760)	Note
The Company	Pu Yu Investment	Taipei City	Investment	500,000	500,000	50,000	100.00%	503,406	1,534	1,534	Note

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

(3) Information on Investments in Mainland China:

1) 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	Investment amount dispatched or retrieved during this period		Ending balance of accumulated outflow of investment from Taiwan	Net income (loss) of the investee	The Company's percentage of ownership directly or indirectly	Investment gains (losses) recognized in the current period (Note 2)	Carrying amount as of the end	Ending balance of accumulated inward remittance of earnings
					Dispatched	Retrieved						
Jadard Technology INC.	IC design	1,790,797 (Note 3)	(1)	302,296	-	-	302,296	39,211	54.57%	21,429	4,385,781	-
Hefei Jadard	Supply chain management	224,523 (Note 4)	(2)	-	-	-	-	21,381	54.57%	11,685	403,890	-
Xiamen Jadard	Supply chain management	4,344 (Note 5)	(2)	-	-	-	-	2	54.57%	1	1,986	-

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 409,021 thousand, which was translated into NT\$1,790,797 thousand at the exchange rate at the time of investment.

Note 4 : The paid-in capital was 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.

Note 6: The subsidiaries over which the Company has control, and the long-term investments of other consolidated entities have been offset.

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2) 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	10,729,847

Note: Amend the investment limit in China according to letter no. Tai-wan-shen-tzu-09704604680 issued on August 29, 2008

3) 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.