



FITIPOWER INTEGRATED TECHNOLOGY INC.
STOCK CODE : 4961

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Power your life*

2022 ANNUAL REPORT

Printed on April 20th, 2023

Taiwan Stock Exchange Market Observation Post System
<https://mops.twse.com.tw>

Fitipower annual report is available at
<https://www.fitipower.com>



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

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

FITIPOWER INTEGRATED TECHNOLOGY INC.

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I. Letter to Shareholders

Dear Shareholders,

In 2021, the world experienced a surge in demand for various electronic devices due to the acceleration of human digitalization caused by the pandemic. This, in turn, led to a global shortage of semiconductors. Our Company was well-prepared and effectively managed the supply chain situation, resulting in outstanding results. However, in 2022, as the world gradually returned to normal life after the pandemic was brought under control, semiconductor companies expanded and chased orders due to capacity shortages in the previous year. This resulted in high inventory levels, and our Company began to strictly control inventory in the fourth quarter of 2021. We achieved positive results in 2022 despite the huge fluctuations in the supply and demand of the entire industry and market. With the concerted efforts of our global employees, we turned challenges into opportunities, met customer needs, continued business expansion, and strived for stability in financial performance.

In the face of the global turmoil brought about by the COVID-19 pandemic and geopolitical tensions, we actively collaborate with all our clients to strengthen reinvestment in technology and expand our product lines. The Company has earned appropriate returns in our core business, allowing us to continue investing in research and development to help our clients maintain rapid growth. In 2022, our Company's research and development expenses will continue to increase to a record high of NT\$ 2.443 billion, representing a 13% increase compared to the previous year's NT\$2.169 billion dollars. Although the industry is in a period of adjustment, we firmly believe that successfully implementing and planning new technologies early on will lead our Company into another higher growth phase. We will continue to invest in the future to seize the business opportunities that come with it.

Financial Performance

In 2022, the annual consolidated revenue of the Company was NT\$ 19,680.43 million, a decrease of 13.9% compared to the previous year's NT\$ 22,868.24 million. The net profit after tax was NT\$ 3,269.19 million, with earnings per share of NT\$ 16.49, both decreasing by 48.8% and 51.3% compared to the previous year's net profit of NT\$ 6,389.64 million, and earnings per share of NT\$ 33.83.

In 2022, the Company's gross profit margin was 36.3%, compared to 46.6% in the

previous year. The operating profit margin was 19.7%, compared to 33.7% in the previous year. The net profit margin after tax was 17.4%, down 10.5 percentage points from the previous year's 27.9%.

Technology Development

In 2022, our Company continued to increase R&D expenses, reaching NT\$ 2.443 billion.. We maintain a leading position in various display screen design chips and power management chips.

Regarding display screens, we not only develop customized products for high-end display panels of global leading brands but also provide advanced and competitive solutions for the general market. We have made breakthroughs and improvements in technology this year, including complete display solutions, expansion of Panel Power new products, TV 4K 120Hz TCON (timing control IC) full-size applications, low-frequency high-voltage power-saving drive ics for laptops and monitors, edp timing control ics for laptops, and color e-book drive ics.

Concerning power management chips, we continue to develop new processes in line with new product development, enhancing the company's technical capabilities and product competitiveness, such as completing DDR5 PMIC power management IC development, 18V/12A buck IC, and 28V/8A buck IC. The Company provides power management chip solutions in consumer, industrial, communication, automotive, and iot fields, accounting for about 15% of total revenue this year.

Whether it is various display screen chips, power management chips, or other related semiconductor solutions, we provide abundant development resources for products that meet green environmental protection and ESG-related requirements. We offer a complete and smooth platform for our customers to stimulate more innovative energy. Many application areas are still in the early stages of technology upgrades, and with the increased demand for multimedia audio and video by consumers, we will provide more value to our customers through the broad layout of logic ics and analog ics.

Environment, Sustainability, and Corporate Governance

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

In 2022, we continue to promote sustainable development in various ways, making our company a sustainable enterprise that meets the expectations of stakeholders. We

have seven energy-saving innovative products that reduce an estimated 7,059 metric tons of carbon emissions annually, and our overall waste recycling rate has significantly increased to 96.8% after recycling our products. Additionally, our suppliers use 3TG metals produced by smelters approved by RMI. Moreover, our key talent retention rate is high at 89%, and since participating in corporate governance evaluations, our Company has continuously climbed up the rankings, achieving 21%-35% in the 8th corporate governance evaluation. We contribute to global energy conservation and environmental protection by creating highly efficient and low-energy-consuming chips. We also prioritize creating a friendly workplace that spreads goodwill throughout our organization. We firmly believe that adhering to sustainability and corporate governance principles will bring more substantial operational performance to all our shareholders. We remain committed to promoting sustainable development and continuously improving our corporate governance practices for the benefit of all stakeholders.

Corporate Development

In 2022, our Company has a global workforce of 900 employees, and we recognize that people are our most important asset, regardless of fluctuations in the industry's economic climate this year. As a fast-growing and professional fabless semiconductor company, we place great value on talent cultivation and workplace development. In the professional field, we continuously respond to the importance of our customers and partners by developing more comprehensive research and solutions for various applications and domains, such as edge computing, the Internet of Things, artificial intelligence, automotive electronics, and electronic paper. We are committed to providing our customers with highly differentiated value, and we believe that products in different fields and domains will soon become the driving force for future business growth.

Furthermore, in 2022, our Company has been recognized for its achievements in innovation, sustainable development, corporate governance, and financial performance. We are proud to be named in the "HBR100" by Harvard Business Review and ranked 3rd in the "Top 50 Best Operational Performance" by commonwealth Magazine. These accolades motivate us to continue our pursuit of excellence and inspire us to maintain our high standards in all aspects of our business.

Future Outlook

The pandemic, uncertainty in the semiconductor industry cycle, and various geopolitical issues persist, but technology has become even more indispensable in our

daily lives. The semiconductor industry's value has been demonstrated within the global supply chain, and it has brought different impacts to the world.

At the core of our beliefs is the idea that technology is people-oriented, and it should aim to improve lives and enrich experiences. We optimize our chips to make our products more efficient and energy-saving. We firmly believe that technology can change lives and even change the world.

As we enter the 5G era, the number of IoT applications is growing exponentially, and various applications will generate endless demand. The need for semiconductors will remain strong and continuous. Our Company not only possesses solid development capabilities but also holds an excellent industry position with its technology and platform combination. We believe that we can continue to capture the growth of major trends in the coming years. Despite the turbulence in the industry in 2022, we implemented inventory control early on, which has made our financial structure more robust. In the future, we will continue to make decisions in the best interest of the company, with the technical strength accumulated over the years and flexible management strategies.

We are committed to adhering to sound corporate governance principles for sustainable operation. Our responsibility is to continue bringing long-term profit growth to our shareholders. We are grateful to our shareholders for their long-term trust and support in the Company. We look forward to working together to create a lasting and prosperous future.

LIN, YUNG-CHIEH, Chairman



II. Company Profile

1. Date of Incorporation: July 4, 1995

2. Milestones:

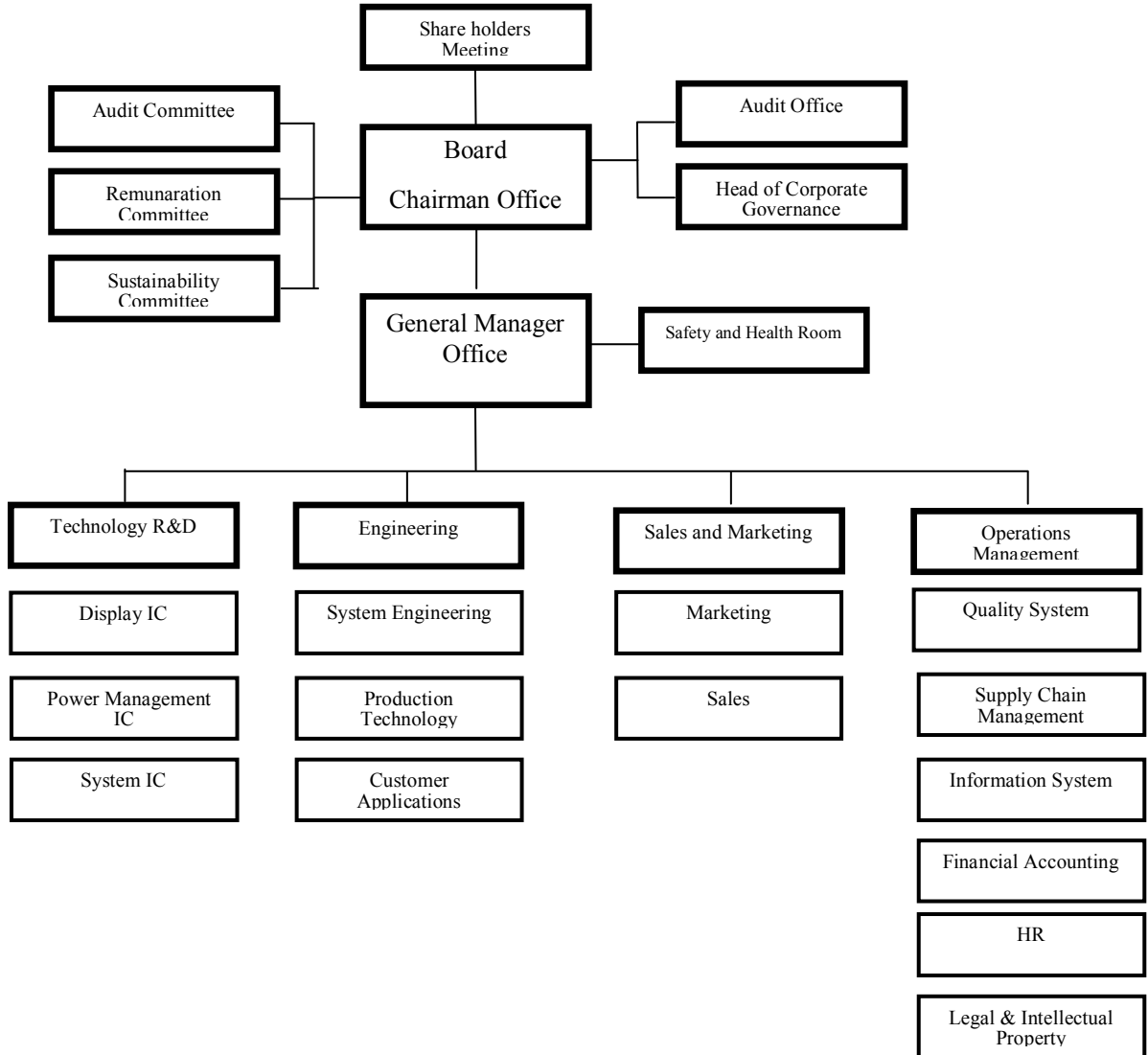
Year	Month	Events
1995	Jul	Company established with a capital of NT\$50,000 K
1998	Aug	10-bit Scanner AFE won the Best 3C Product Star Award
2002	Jun	Elan microelectronic Corp. Invested and acquired the right to operate
2005	Jan	Passed ISO 9001:2000 quality certification
2005	Sep	Increased capital by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

Year	Month	Events
2017	Jul	Established Jadard Technology (Hefei) Co in China through an investee enterprise in China
2017	Nov	Issued new restricted shares to employees and increased capital by NT\$27,600 K, resulting in a paid-in capital of NT\$1,415,409 K
2018	Jan	Passed ISO9001:2015 quality certification
2018	Oct	Listed on the Taiwan Stock Exchange
2018	Nov	Increased capital by NT\$189,000 K in cash, and issued new restricted shares to employees and increased capital by NT\$1,240 K, resulting in a paid-in capital of NT\$1,604,260 K
2018	Dec	Issued new restricted shares to employees and increased capital by NT\$24,570 K, resulting in a paid-in capital of NT\$1,628,606 K
2019	Apr	Cancelled new restricted shares issued to employees and reduced capital by NT\$217 K, resulting in a paid-in capital of NT\$1,628,389 K
2019	Aug	Cancelled new restricted shares issued to employees and reduced capital by NT\$1,024 K, resulting in a paid-in capital of NT\$1,627,365 K
2019	Dec	Issued new restricted shares to employees and increased capital by NT\$30,000 K, and cancelled the same and reduced capital by NT\$490 K, resulting in a paid-in capital of NT\$1,656,875 K
2020	02 月	Acquired 100% equity interest in VISUAL SENSING TECHNOLOGY CO.
2020	Apr	Cancelled new restricted shares issued to employees and reduced capital by NT\$627 K, resulting in a paid-in capital of NT\$1,656,248 K
2020	Aug	Cancelled new restricted shares issued to employees and reduced capital by NT\$756 K, resulting in a paid-in capital of NT\$1,655,492 K
2020	Dec	Issued new restricted shares to employees and increased capital by NT\$10,570 K, and cancelled the same and reduced capital by NT\$182 K, resulting in a paid-in capital of NT\$1,665,880 K
2021	May	Cancelled new restricted shares issued to employees and reduced capital by NT\$301 K, resulting in a paid-in capital of NT\$1,665,579 K
2021	Aug	Increased capital by NT\$200,000 K in cash, and cancelled new restricted shares issued to employees and reduced capital by NT\$126 K, resulting in a paid-in capital of NT\$1,865,453 K
2022	May	Ranked 3rd in the "Top 50 Best Operational Performance" by commonwealth Magazine.
2022	May	Invested in the establishment of PUYU Investment Co.
2022	Jun.	Named as one of the "Top 100 Foreign Investors in Taiwan" by Taiwan Institute of Directors and Corporate Research and Development Center in 2022
2022	Sep.	JADARD (Shenzhen) Technology Co., Ltd. Listed on the Shanghai Stock Exchange Sci-Tech innovAtion boaRd (SSE STAR Market)

III. Corporate Governance Report

1. Organization

(1) Organization chart



(2) Operations implemented by major departments

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

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

2. Information of Directors and Officials

(1) Directors

1. Directors' information

April 2, 2023; Units: Shares; %

Title	Nationality / Country of Origin	Name	Gender / Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Other officers, directors or supervisors who are spouses or within two degrees of kinship.			Remark (Note 1)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairperson	ROC	LIN, YUNG-CHIEH	Male 51~60	2021/5/18	3	2011/6/30	835,282	0.50	802,176	0.43	383,397	0.21	-	-	Education and Qualifications Phd in electrical engineering, University of California, Santa Barbara (UCSB) Experience Engineer, ali Corp Manager, Hon Hai Precision Industry Co	CEO of the Company, Chairman of the Sustainable Development Committee Chairman of the Board, Visual-Sensing Technology Corp PUYU Investment Co.Chairman	-	-	-	-
Director	ROC	Hong Yang Investment INC.	-	2021/5/18	3	2012/5/25	12,120,045	7.28	13,213,984	7.08	-	-	-	-	-	-	-	-	-	-
	ROC	Rept.: LIU, JIN-HSUN	Male 51~60	2021/5/18	3	2018/6/21	-	-	-	-	-	-	-	-	Education and Qualifications Phd in electronic engineering, National Chiao Tung University Experience Chief Technology Officer, US-based Cavium Inc. (Taiwan)	Vice President, SDC System Chip Design Center, Hon Hai Precision Industry Co; President, Pollux Electronics Limited Taiwan Branch (Macau); Executive Director, Pollux Electronics Limited; President & Chairman, Achernar Technologies (US) Co; Chairman, Nxvi Microelectronics Technology (Jinan) Co; President & Chairman of the Board, Hongfuxin Electronic Technology (Jinan) Co	-	-	-	-
Director	ROC	Hong Yang Investment INC.	-	2021/5/18	3	2012/5/25	12,120,045	7.28	13,213,984	7.08	-	-	-	-	-	-	-	-	-	-

Title	Nationality / Country of Origin	Name	Gender / Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Other officers, directors or supervisors who are spouses or within two degrees of kinship.			Remark (Note 1)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
								ROC	Rept.: LUO, WEN-WEI	Male 51~60	2021/5/18	3	2020/2/25	-			-	-	-	
Director	ROC	CHIU, SHU-HUI	Female 51~60	2021/5/18	3	2006/6/2	987,733	0.59	1,124,218	0.60	-	-	-	-	Education and Qualifications Institute of Electronics, National Chiao Tung University Experience Hualon Microelectronics Corp Director, Elan Microelectronics Corp	President of the Company, Vice Chairman of the Sustainable Development Committee Corporate Director Representative, Visual-Sensing Technology Corp	-	-	-	-
Independent Director	ROC	CHEN, BI-FENG	Female 61~70	2021/5/18	3	2012/5/25	-	-	-	-	-	-	-	-	Education and Qualifications MBA, Royal Roads University, Canada Experience Cost Accounting Officer, Integrated Circuit Solution Inc Accounting Officer, ritdisplay Corp Finance Officer, Startek Engineering Inc Finance Officer, Art Analog, Inc	Members of the Company's Audit Committee, Compensation Committee and Sustainable Development Committee	-	-	-	-
Independent Director	ROC	YAO, DE-CHAN G	Male 51~60	2021/5/18	3	2014/6/26	-	-	-	-	-	-	-	-	Education and Qualifications M.S. in finance, National Taiwan University Msc in electrical engineering, University of Southern California, USA Experience Vice President, Hsu Pang Investment Consulting, Inc.	(Note 2)	-	-	-	-

Title	Nationality / Country of Origin	Name	Gender / Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Other officers, directors or supervisors who are spouses or within two degrees of kinship.			Remark (Note 1)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
															President, Ta Ya Venture Capital Co					
Independent Director	ROC	LIU, HSUEH-YU	Male 61~70	2021/5/18	3	2021/5/18	-	-	-	-	-	-	-	-	Education and Qualifications Department of Electronic Engineering, Fu Jen Catholic University Experience Chief Engineer & Business Manager, HP Taiwan Information Technology Ltd Automation Engineer, Nan Ya Plastics Corp Vice President, WK Technology Fund	(Note 3)	-	-	-	-

Note 1: If the chairman of the board of directors and the general manager or equivalent (top manager) are the same person, spouses or relatives of one another, the reasons, reasonableness, necessity and measures (such as increasing the number of independent directors and having a majority of directors who are not also employees or managers, etc.) Should be explained: Due to operational needs, the chairman of the board of directors is also the chief executive officer and only 29% of the company's directors are also employees, so the board of directors still retains objectivity and supervisory power.

Note2:Members of the Audit Committee, Remuneration Committee and the Sustainable Development Committee of the Company, Hua Chen Investment INC. Chairperson, Yong Fu Investment INC.Chairperson, Yong Chuan Investment INC.Chairperson, Cheng Gong Management INC. Chairperson, Feng Huang Management INC. Chairperson, Feng Huang Er Innovation INC.Chairperson, Feng Huang 3 Innovation INC.Chairperson, Feng Huang 4 Innovation INC. Chairperson, Feng Huang 5 Innovation INC. Chairperson, YOUNGTEK ELECTRONICS CORP. Director, JENTECH PRECISION INDUSTRIAL CO., LTD. Independent Director, ASIX ELECTRONICS CORPORATION Director, Ledlink Optics, Inc. Rept. Of corporate director, TAI TIEN ELECTRONICS CO., LTD. Director \ U.D.ELECTRONIC CORP. Rept. Of corporate director, NCKU Venture Capital Co .,Ltd. Director, Gigastone Corporation director, lediamond opto corporation director, acti Corporation Corporate Director, Sync-Tech System Corporation Corporate Director.

Note 3:Members of the Company's Audit Committee, Compensation Committee and Sustainable Development Committee, President of NTU Innovation Incubation Co; Independent Director and Compensation Committee Member of Wieson Technologies Co; Independent Director and Compensation Committee Member of Professional Computer Technology Ltd; Independent Director Compensation Committee Member of U.D. Electronic Corp; Corporate Director Representative of P-Duke Technology Co; Corporate Director Representative of finart Technology Co; Corporate Director Representative of Portal International iprs Service Co; Supervisor of ELTA Technology Co

2. Major shareholders of the corporate shareholders

2023/4/2

Name of corporate shareholder	Major shareholders of the corporate shareholder	Shareholding
HONG YANG INVESTMENT INC.	HON HAI PRECISION INDUSTRY CO., LTD.	97.96%

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

2022/4/2

Name of corporate shareholder	Major shareholders of the corporate shareholder
HON HAI PRECISION INDUSTRY CO., LTD.	<p>Terry Gou (12.57%)</p> <p>Citi's investment account with the Government of Singapore (2.37%)</p> <p>Citi's depository receipts account with Hong Hai Precision Industrial Co. (1.28%)</p> <p>New System Labour Pension Fund (1.26%)</p> <p>Chase Custodian Van Gard Emerging Markets Equity Index Fund (1.20%)</p> <p>Chase Custodianship Advanced Starlight Advanced Aggregate International Equity Index (1.11%)</p> <p>Citi Custodianship Norway Central Bank Investment Special Account (1.02%) 、</p> <p>Standard Chartered Custodian Fidelity Puritan Trust: Fidelity Low Value Equity Fund (0.96%) 、</p> <p>Standard Chartered Custodianship of Investment Account with Bank of Liechtenstein (0.82%) 、</p> <p>Chase Custodianship of Saudi Arabia Central Bank Investment Account (0.79%)</p>

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

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

Name /Title	Criteria	Professional Qualifications and Experiences	Status of Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
YAO, DE-CHANG Independent Director			Article 14 of the Securities Transaction Act and the "Regulations on the Establishment of and Matters to be Followed by Independent Directors of Public Development Companies" (Note 2) promulgated by the Financial Supervisory Commission 2. No shares of the Company are held by the director (or in the name of others), his spouse and minor children. 3. Have not received any remuneration for business, legal, financial or accounting services provided by the Company or its affiliates in the last two years.	1
LIU, HSUEH-YU Independent Director				2

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

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

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

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

5. Board Diversity and Independence:

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

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

All seven directors of the Company's current Board of Directors have diverse backgrounds, including different industries and financial accounting. The Company's board of directors is independent as 29% of the directors are employees and 43% are independent directors, and there are no spouses or relatives within the second degree of kinship among the directors. The Company also places emphasis on gender equality in the composition of its Board of Directors, of which two are female directors, representing 29%.

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

Implementation status of the diversification policy for Board members:

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

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

April 2, 2023 Units: Shares; %

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 1)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark (Note 2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
CEO	ROC	LIN, YUNG-CHIEH	M	2015.06.16	802,176	0.43	383,397	0.21	-	-	Phd in electrical engineering, University of California, Santa Barbara (UCSB) Engineer, ali Corp Manager, Hon Hai Precision Industry Co	VST Chairperson PUYU Investment Co. Chairman	-	-	-	-
General Manager	ROC	CHIU, SHU-HUI	F	2009.01.01	1,124,218	0.60	-	-	-	-	MS of Electronics, National Chiao Tung University Experience Hualon Microelectronics Corp Director, Elan Microelectronics Corp	VST Rept. Of corporate director	-	-	-	-
Vice General Manager	ROC	TSAI, KUN-HSIEN	M	2014.07.01	640,874	0.34	16,338	0.01	-	-	NSYSU Dept. Of Electrical Engineering UMC Engineer Novatek Manager	-	-	-	-	-
Vice General Manager	ROC	CHANG, KUEI-KAI	M	2017.05.01	10,000	0.01	1,184	-	-	-	NSYSU Dept. Of Electrical Engineering MS SUNSHINE SPORTS TECH CO., LTD. Manager SUNPLUS TECHNOLOGY CO., LTD. Manager	-	-	-	-	-
Associate Managers	ROC	HSU, CHONG-MING	M	2021.06.01	115,800	0.06	2,000	-	-	-	Chung Hua University Dept. Of Foreign Language BA C SUN Manager Denmos Technology Inc. Manager RECHI PRECISION CO., LTD. Manager	-	-	-	-	-
Associate Managers	ROC	LIN, XIN-JIE	M	2021.08.23	-	-	-	-	-	-	NTU MS NCCU MS Nuvoton Technology Director Newedge Techology VP CSMC TECHNOLOGIES corporationdepartment Chief	-	-	-	-	-

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 1)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark (Note 2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Accounting Manager	ROC	CHEN, PO-CAN	M	2002.10.07	-	-	-	-	-	-	NSYSU Finance MA YUANTA Assistant Manager	VST Supervisor, JADARD (Shengzhen) Supervisor	-	-	-	-
Head of Corporate Governance	ROC	CHEN, YI-HUI	F	2021.11.08	-	-	-	-	-	-	SCU Dept. Of Law MA Mingye Law Firm Lawyer	-	-	-	-	-

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

Note 2: If the general manager or equivalent (top manager) and the chairman of the board of directors are the same person, spouses or relatives of one another, the reasons, reasonableness, necessity and measures (such as increasing the number of independent directors and having a majority of directors who are not also employees or managers) should be disclosed: The chairman of the board of directors is also the chief executive officer due to operational needs, and the percentage of directors who are also employees is only 29%. Therefore, the Board of Directors retains its objectivity and supervisory power.

3. Remuneration of Directors, President and Vice Presidents

(1) Compensation of Directors and Independent Directors (2022)

Unit : NT\$ thousands

Title	Name	Compensation to Directors								Ratio of Total Compensation (A+B+C+D) to Net Income (%)		Relevant Compensation Received by Directors Who are Also Employees						Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation from ventures other than subsidiaries or from the parent company				
		Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Professional Practice (D)				Salary, Bonus, and Special Allowance (E)		Severance Pay (F)		Employee Compensation (G) (Note 1)								
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements					
Chairperson	LIN, YUNG-CHIEH																							
Director	Hong Yang Investment INC. Rept.: LIU, JIN-HSUN	-	-	-	-	-	-	-	-	-	-	12,221	12,221	108	108	33,950	-	33,950	-	46,279	46,279	1.51%	1.51%	None
Director	Hong Yang Investment INC. Rept.: LUO, WEN-WEI																							
Director	CHIU, SHU-HUI																							
Independent Director	CHEN, BI-FENG																							
Independent Director	YAO, DE-CHANG	1,107	1,107	-	-	-	-	-	-	0.04	0.04	-	-	-	-	-	-	-	-	-	-	-	-	None
Independent Director	LIU, HSUEH-YU																							

1. Please describe the policy, system, criteria and structure for the payment of remuneration to independent directors, and the relevance of the amount of remuneration to the responsibilities, risks and time commitment: please refer to P.21.

2. Other than as disclosed in the table above, remuneration received by the Company's directors for services rendered in the most recent year (e.g. As consultants to non-employees of the parent company/financial reporting company/reinvestment business): None.

Note 1: This refers to the employee compensation received by part-time employees in 2022. Based on the proposed 2022 employee compensation amount approved by the Board of Directors, the proposed allotment amount for this year is estimated based on historical experience.

Compensation Scale

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

(2) Compensation to Presidents and Vice Presidents (2022)

Unit: NT\$ thousands

Title	Name	Salary (A)		Severance Pay (B)		Bonus and Special Allowance (C)		Employee Compensation (D) (Note)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation from ventures other than subsidiaries or from the parent company		
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements			
								Cash	Stock	Cash	Stock					
CEO	LIN, YUNG-CHIEH	12,503	12,503	324	324	9,581	9,581	54,000	-	54,000	-	76,408	2.49%	76,408	2.49%	None
President	CHIU, SHU-HUI															
Vice President	CHANG, KUEI-KAI															
Vice President	TSAI, KUN-HSIEN															

Note: The proposed allotment for this year is estimated on the basis of historical experience based on the proposed allotment of 2022s' staff remuneration approved by the Board of Directors.

Compensation Scale

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

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

Unit: NT\$ thousands

	Title	Title	Stock	Cash (Note 1)	Total	Ratio of Total Amount to Net Income (%)
Manager	CEO	LIN, YUNG-CHIEH	-	67,757	67,757	2.21
	General Manager	CHIU, SHU-HUI				
	Vice General Manager	TSAI, KUN-HSIEN				
	Vice General Manager	CHANG, KUEI-KAI				
	Associate Manager	HSU, CHONG-MING				
	Associate Manager	LIN, XIN-JIE				
	Accounting Manager	CHEN, PO-CAN				
	Head of Corporate Governance	CHEN, YI-HUI				

Note 1: The proposed distribution for this year is estimated based on historical experience, based on the proposed 2022 employee compensation amount approved by the Board of Directors.

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

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

Unit: NT\$ thousands

Item \ Year	2021		2022	
	The Company	Companies included in the financial statements	The Company	Companies included in the financial statements
Total directors' remuneration	858	858	1,107	1,107
Directors' total remuneration as a percentage of net profit after tax	0.01%	0.01%	0.04%	0.04%
Total remuneration of General Manager and Deputy General Manager	47,263	47,263	76,408	76,408
Total remuneration of General Manager and Deputy General Manager as a percentage of net profit after tax	0.81%	0.81%	2.49%	2.49%

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

The Company's independent directors receive a fixed compensation and board of directors' attendance fees, while the remaining directors receive no compensation.

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

4. Implementation of Corporate Governance

(1) Operation of the Board of Directors

The Board meeting in 2022 were held 5 times (A) and the attendance of the directors was as follows.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A] (Note)	Remarks
Chairperson	LIN, YUNG-CHIEH	5	-	100%	
Director	Hong Yang Investment INC.Rept.:LIU, JIN-HSUN	4	1	80%	
Director	Hong Yang Investment INC.Rept.:LUO, WEN-WEI	5	-	100%	
Director	CHIU, SHU-HUI	4	1	80%	
Independent Director	CHEN, BI-FENG	5	-	100%	
Independent Director	YAO, DE-CHANG	5	-	100%	
Independent Director	LIU, HSUEH-YU	5	-	100%	

Other mentionable items:

- I. The operation of the Board of Directors' Meeting shall state the date and period of the Board of Directors' Meeting, the content of the motion, the opinions of all independent directors and the Company's handling of the opinions of the independent directors, if any of the following circumstances apply.
 1. Matters listed in Article 14-3 of the Securities Transaction Act: The Company has established an Audit Committee, please refer to page 20 for the operation of the Audit Committee.
 2. Other than the matters listed above, other matters resolved by the Board of Directors at meetings of the Board of Directors at which the independent directors objected to or reserved their opinions and for which records or written statements are available: None.
- II. Enforcement of Directors' disqualification from interest motions.

1. In the 8th term, 7th board of directors meeting, the review of 2021 employee and director remuneration distribution case was discussed. All attending directors agreed to pass the case, except for directors Lin Yongjie and Qiu Shuhui, who also serve as managers and needed to avoid conflicts of interest by not participating in the discussion and voting.
2. In the 8th term, 7th board of directors meeting, the review of lifting the competitive prohibition restriction for directors was discussed. All attending directors agreed to pass the case, except for the corporate representative director Liu Jin-xun and independent director Yao De-zhang, who are both stakeholders in this case and needed to avoid conflicts of interest by not participating in the discussion and voting.
3. In the 8th term, 8th board of directors meeting, the review of 2022 position salary adjustment for the company's managers was discussed. All attending directors agreed to pass the case, except for directors Lin Yong-jie and Chiu Shu-hui, who also serve as managers and needed to avoid conflicts of interest by not participating in the discussion and voting.
4. In the 8th term, 9th board of directors meeting, the review of the employee stock trust plan for the company was discussed. All attending directors agreed to pass the case, except for director Lin Yongjie, who also serves as a manager and could not exercise voting rights on behalf of director Liu Jinxun, and director Chiu Shu-hui, who also serves as a manager and needed to avoid conflicts of interest by not participating in the discussion and voting.
5. In the 8th term, 9th board of directors meeting, the review of the company's managers' performance bonus proposal for the first half of 2022 was discussed. All attending directors agreed to pass the case, except for director Lin Yong-jie, who also serves as a manager and could not exercise voting rights on behalf of director Liu Jinxun, and director Chiu Shu-hui, who also serves as a manager and needed to avoid conflicts of interest by not participating in the discussion and voting.
6. In the 8th term, 10th board of directors meeting, the review of the company's managers' performance bonus proposal for the second half of 2022 was discussed. All attending directors agreed to pass the case, except for director Lin Yong-jie and the commissioned attending director Chiu Shu-hui, who also serve as managers and needed to avoid conflicts of interest by not participating in the discussion and voting.

III. Implementation of the Board of Directors' evaluation:

1. Assessment result: The performance of the Board of Directors, individual Board members, the Audit Committee and the Remuneration Committee of the Company was assessed as "Excellent", indicating that the Board of Directors, the Audit Committee and the Remuneration Committee of the Company are operating well and in line with corporate governance.
2. The above evaluation results have been submitted to the Twelfth Session of the Eighth Board of Directors for approval.

Evaluation Frequency	Evaluation Period	Scope of Evaluation	Evaluation Method	Content of Evaluation
Once per year	2022/01/01 To 2022/12/31	Board of Directors, individual Board members, Audit Committee and Remuneration Committee	Internal Self-Assessment by the Board and Board Members	<p>(1) Evaluation of the performance of the Board of Directors: including the degree of participation in the Company's operations, the quality of decisions made by the Board of Directors, the composition and structure of the Board of Directors, the selection and continuing education of directors, and internal control.</p> <p>(2) Performance evaluation of individual board members: Including mastery of corporate objectives and tasks, awareness of directors' duties, participation in corporate operations, internal relations and communication, professional and continuing education of directors, internal control, etc.</p> <p>(3) Evaluation of the performance of the Audit Committee: Including the degree of participation in the Company's operations, awareness of duties and responsibilities, quality of decision making, composition and selection of members, and internal control, etc.</p> <p>(4) Remuneration Committee Performance Evaluation: This includes the level of participation in company operations, responsibility awareness, decision-making quality, composition and member</p>

				selection, internal control, etc.
<p>IV. Assessment of the objectives and implementation of the enhanced functions of the Board of Directors for the current and most recent years.</p> <p>1. Since 2015, the Company has established an Audit Committee to replace the Supervisors' duties and responsibilities, and its members are all independent directors.</p> <p>2. The Company has posted important resolutions on the Market Observation Post System immediately after the Board of Directors' meetings to protect shareholders' rights and interests, and has designated a person responsible for the collection and disclosure of corporate information and established a spokesperson system to ensure that all material information and information is properly disclosed for the reference of shareholders and interested parties.</p>				

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

(2) Operations of Audit Committee:

The Audit Committee held 5 times meetings (A) in 2022 and the attendance of committee members is shown below:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A] (Note)	Remarks
Independent Director	CHEN, BI-FENG	5	-	100%	-
Independent Director	YAO, DE-CHANG	5	-	100%	-
Independent Director	LIU, HSUEH-YU	5	-	100%	-
<p>Other mentionable items:</p> <p>(1). Annual Work Focus: The Audit Committee operates in accordance with the Company's Audit Committee Organizational Procedures and its annual review focuses on:</p> <ol style="list-style-type: none"> 1. Financial statements. 2. Selection (dismissal) and assessment of independence of cpas. 3. Revision of the internal control system and implementation of internal audit. 4. Significant assets, derivatives, loans of funds and endorsement and guarantee transactions. 5. Matters involving the directors' own interests. 6. Significant matters required by the competent authorities. <p>(2). If the Audit Committee operates under any of the following circumstances, it shall state the date and period of the Audit Committee meeting, the content of the motion, the content of the objections, reservations or significant recommendations of the independent directors, the results of the Audit Committee resolution and the Company's handling of the Audit Committee's opinion.</p> <p>1. Matters referred to in Article 14-5 of the Securities Transaction Act:</p>					
Audit Committee Term/Date	Motion Content			Audit Committee Resolution Result	The Company's handling of the Audit Committee's opinion
2022/03/17 Third Session, Sixth Meeting:	<ul style="list-style-type: none"> ● Evaluation of the effectiveness of the internal control system for 2021 and the internal control system declaration case. ● 2021 Annual Business Report and Financial Statements case. ● Proposed change of the plan for the use of funds raised for the 2021 cash capital increase of the Company. ● 2022 Independent Auditor's independence assessment case. ● Appointment of the Company's certified public accountant case. 			The motion was passed with no objection from all audit committee members.	Submitted to the Board and approved by all the attending directors.
2022/05/05 Third Session,	<ul style="list-style-type: none"> ● 2022 First Quarter Financial Report case. ● Amendment to the Company's "Asset 				

Seventh Meeting:	Acquisition or Disposal Procedures" case.		
2022/08/03 Third Session, Eighth Meeting:	● 2022 Second Quarter Financial Report case.		
202210/31 Third Session, Ninth Meeting:	● 2022 Third Quarter Financial Report case. ● Proposal for the Company's 2023 Annual Audit Plan case. ● Additional investment in subsidiary reporting case.		
2022/12/22 Third Session, Tenth Meeting:	● The Company's CPA compensation plan.		

2. Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all the directors: None.

(3). If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.

(4). Communications between the independent directors, the Company's chief internal auditor and cpas (including the material matters, manner and results of communication regarding the financial and business position of the Company):

1.The Head of Internal Audit of the Company provides audit reports to the independent directors on a regular basis, and the Audit Committee and the Board of Directors put forward proposals for internal audit reports, annual audit plans and amendments to the internal control system to enable the independent directors to have a full understanding of the implementation of internal control of the Company's business. The independent directors had no objection or reservation to the motions this year and their communication with the audit business was good.

2.Before the issuance of the Company's financial statements, the independent directors and thecpa had a pre-conference meeting and reached a unanimous conclusion. The most recent communication was with the CPA to explain the key audit issues of 2022 annual financial statements. The communication between the Company's independent directors and the CPA is normal.

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

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

Evaluation Item	Implementation Status			Deviations from the "Corporate Governance Best-Practice Principles for TWSE/tpex Listed Companies" and Reasons
	Y	N	Abstract Explanation	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/tpex Listed Companies"?	√		The Code of Corporate Governance Practices was approved by the Board of Directors on March 10, 2015 and the exercise of powers and duties by the directors and the internal control system are governed by the Code of Corporate Governance Practices.	None
2. Shareholding structure & shareholders' rights				
(1) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	√		(1)The Company has established a spokesperson system, with dedicated personnel responsible for handling shareholders' proposals, doubtful disputes and litigation matters, and coordinating with relevant units of the Company for settlement.	None
(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	√		(2)The Company discloses the names of its major shareholders and the ultimate controllers of its major shareholders in accordance with the law, while maintaining communication channels with its major shareholders, and	None

Evaluation Item	Implementation Status			Deviations from the "Corporate Governance Best-Practice Principles for TWSE/tpex Listed Companies" and Reasons
	Y	N	Abstract Explanation	
(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	√		making disclosures in accordance with the law.	None
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	√		(3)The Company has established supervision system over its subsidiaries and clearly delineated the authority and responsibility for the management of personnel, assets and finances between the Company and its affiliates, and each affiliate has established its own independent financial and business systems. (4) The Company has established a management system to prevent insider trading, to establish a internal mechanism for handling and disclosing material information, to avoid improper disclosure of information, and to ensure consistency and accuracy of information released by the Company to the outside world.	None
<p>3. Composition and responsibilities of the Board of Directors</p> <p>(1) Does the Board develop and implement a diversified policy and specific objectives of management for the composition of its members?</p> <p>(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3)Does the Company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the compensation of individual directors and nominations for reelection?</p>	√		(1)Please refer to pages 14~15 of this annual report for more information.	None
	√		(2)In order to achieve the vision of sustainable corporate management, the Company has established a Sustainability Committee in accordance with the Company's Code of Practice on Sustainable Development to oversee and manage the environmental, social and governance aspects of the Company's sustainable development and promotion. The Committee is a functional committee under the Board of Directors. The Chairman is the Chairman of the Board of Directors, the Deputy Chairman is the President, and the three independent directors are members of the Committee, which meets at least twice a year and submits the implementation of sustainable development to the Board of Directors for review.	None
	√		(3)In order to implement corporate governance and enhance the functions of the Board of Directors, and to establish performance targets to enhance the efficiency of the Board's operation, the Company has established the "Board Performance Evaluation Method" and conducts performance evaluation by means of questionnaires on a regular basis every year. The scope of the evaluation includes the performance evaluation	None

Evaluation Item	Implementation Status			Deviations from the "Corporate Governance Best-Practice Principles for TWSE/tpex Listed Companies" and Reasons
	Y	N	Abstract Explanation	
(4) Does the company regularly evaluate the independence of cpas?	√		<p>of the Board as a whole, individual Board member, the Audit Committee and the Remuneration Committee. The Company's 2022 overall Board and Functional Committee self-assessment and self-assessment of Board members were completed by March 31, 2022. The result of the assessment was "Excellent" and the results of the performance evaluation were reported to the 12th eighth Board Meeting and reported to the MOPS.</p> <p>(4) The company evaluates the independence and suitability of its affiliated certified public accountants every year. In addition to obtaining the "Independence Declaration" and "Audit Quality Indicators (aqis)" provided by the certified public accountants, the evaluation is conducted according to the standards of the 2023-year independent evaluation form for certified public accountants (please refer to page 28 of this annual report) and 13 AQI indicators. After confirming that the accountant and the company have no financial interests and business relationships other than the cost of certification and financial and tax cases, the accountant's family members do not violate the independence requirements, and refer to the AQI indicator information, it is confirmed that the accountant's audit experience and training hours are better than the industry average, and digital audit tools are continuously introduced to improve audit quality. The recent annual evaluation results have been discussed and passed by the third session of the eleventh audit committee and reported to the eighth session of the twelfth board of directors for resolution on the independence and suitability evaluation of the accountant.</p>	None
4. Does the Company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of	√		The Company established the Head of Corporate Governance in 2020 and on November 8 2021, the Board appointed Ms. Chen Yi-hui as the Head of Corporate Governance of the Company with a corporate governance officer whose main duties include conducting meetings of the Board, the Audit Committee, the Remuneration Committee and the Shareholders' Meeting in accordance with the law; preparing minutes of the	None

Evaluation Item	Implementation Status			Deviations from the “Corporate Governance Best-Practice Principles for TWSE/tpex Listed Companies” and Reasons
	Y	N	Abstract Explanation	
directors and the shareholders’ meetings, and producing minutes of board meetings and shareholders’ meetings)?			aforementioned meetings; assisting directors in their appointment and continuing education; providing information necessary for directors to carry out their business and assisting directors in complying with the law. She also provides information necessary for directors to carry out their business and assists directors in complying with the law. Ms. Chan is qualified to practise as a solicitor and has completed professional development as required by law. (Please refer to pages 28~29 of this year's report).	
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	√		The Company has established a spokesperson system as a channel for external communication. In addition, the Company announces important information on the Market Observation Post System for the reference of stakeholders in accordance with relevant laws and regulations, and sets up a stakeholder area on the Company's website to respect and protect their legitimate rights and interests.	None
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	√		The Company appointed the Department of Stock Transfer Agency, Yuanta Securities Co. To handle the Company's stock affairs.	None
7. Information disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the Company have other information disclosure channels (e.g. Building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? (3) Does the Company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	√ √		(1) The Company has established a website, which is maintained by a dedicated person and updated with important financial, business and corporate governance information from time to time for the reference of shareholders and stakeholders. (2) The Company's finance department has designated a person responsible for the collection and disclosure of financial and business and corporate governance information, and has established an investment relations department according to the spokesperson system. (3) The company's annual financial reports have been announced and filed within two months after the end of the fiscal year, and the first, second, and third quarter financial reports and the operational status of each month have been completed before the filing deadline. For information disclosure regarding the above, please refer to the Public Information Observatory.	None None None

Evaluation Item	Implementation Status			Deviations from the "Corporate Governance Best-Practice Principles for TWSE/tpex Listed Companies" and Reasons
	Y	N	Abstract Explanation	
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	Y		<p>(1) The directors of the Company pay close attention to the relevant legal and regulatory information and comply with the requirements of the Act.</p> <p>(2) All directors of the Company have relevant professional backgrounds and practical experience in management, and are well trained.</p> <p>(3) The Company upholds the concept of "Labour integration", emphasizes humane and rational management, and establishes smooth communication channels to maintain relations between employers and employees. For more details, please refer to the section of this report titled "Introduction to Operations - V. Labour Relations".</p> <p>(4) Rights of Stakeholders: Please refer to the Company's website - Sustainability Report https://www.fitipower.com/documents/esg.</p> <p>(5) Implementation of risk management policies and risk measurement standards: Please refer to page 70 of the Company's Annual Report - Risk Management.</p> <p>(6) Implementation of customer policy: The Company maintains a smooth communication channel with customers in order to maintain a good relationship with them.</p> <p>(7) Liability insurance for directors: The Company continues to take out liability insurance (D&O) for its directors to enhance the protection of shareholders' interests.</p>	None
<p>9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.</p> <p>To strengthen corporate governance, the Company has continued to make progressive improvements based on the results of the Corporate Governance Review and has significantly improved its corporate governance rating to the top 21%~35% in the 8th year. Since 2021, the Company has also established a dedicated Corporate Governance Officer to be responsible for corporate governance-related matters. In addition, in order to realise the vision of sustainable corporate management, the Company has set up a Sustainable Development Committee to promote ESG-related issues, and a dedicated unit to compile a sustainability report. The Company published its 2022 Corporate Sustainability Report, compiled using the core options of the GRI Standards, and obtained a third party assurance statement (SGS) based on the AA1000 medium assurance level.</p>				

2023 CPA Independence Standards:

Evaluation Items	Evaluation Results	Independence Compliance
1.The CPA has a direct or material indirect financial interest in the Company.	No	Yes
2.The CPA has financing or assurance relationship with the Company or the Company's directors.	No	Yes

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

Continuing education for corporate governance directors in 2022:

Name	Date	Hold by	Course	Hrs	Total Hrs
CHEN, YI-HUI	2022/09/01	ARDF	Common types of litigation and internal control management practices for "signing business contracts"	6	12
	2022/11/24	IIA	Board of Directors and Functional Committees (Audit, Compensation) Regulations Analysis and Audit Focus	6	

(4) Operation of the Remuneration Committee

1. Committee Member Information

Position	Criteria Name	Professional Qualifications and Experiences	Independence	Number of members of other public companies' Remuneration Committees
Independent Director (Convenor)	CHEN, BI-FENG	Please refer to the Annual Report - Directors' Information (pages 9 to 12) for the professional qualifications and experience of the Directors.	All members of the Remuneration Committee meet the following qualifications. 1. Complying with the relevant provisions of Article 14-6 of the Securities and Exchange Act and the "Regulations on the Establishment and Exercise of Powers and Functions of the Remuneration Committee of Companies whose Stocks are Listed or Traded on the Business Premises of Securities Firms"(Note) promulgated by the Financial Supervisory Commission. 2. He/she (or by another person's name), his/her spouse and minor children do not hold any shares of the Company. 3. No remuneration for business, legal, financial or accounting services provided by the Company or its affiliates in the last two years	-
Independent Director	YAO, DE-CHAN G			-
Independent Director	LIU, HSUEH-Y U			2

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

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

2. Duties of the Remuneration Committee.

Regular review of remuneration:

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

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

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

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

- A. To ensure that the remuneration arrangements of the Company are in accordance with the relevant laws and regulations and are sufficient to attract talented people.
- B. The performance and remuneration of directors, supervisors and managers shall be evaluated with reference to the usual level of remuneration in the industry, taking into account the time devoted by the individual, his or her responsibilities, the achievement of personal objectives, the performance of other positions held, the remuneration offered by the Company in recent years to persons in equivalent positions, and the achievement of the Company's short-term and long-term business objectives and the Company's financial position, etc., to assess the reasonableness of the relationship between the

individual's performance and the Company's operating performance and future risks.

C.Directors and managers should not be induced to engage in conduct that exceeds the Company's tolerance for risk in the pursuit of remuneration.

D.The proportion of bonuses paid to directors and senior managers for short-term performance and the timing of payment of some variable remuneration shall be determined by taking into account the characteristic of the industry and the nature of the Company's business.

E.Members of the Committee shall not be allowed to participate in the discussion and vote on decisions regarding their personal remuneration.

3. Information on the operation of the Remuneration Committee

(1) There are three 3 members of the Remuneration Committee of the Company.

(2) The term of office of the current members: from May 18, 2021 to May 17, 2024 (or until the 2024 Annual General Meeting for re-election), the 2022 Remuneration Committee met 4 times (A) with the following members present.

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

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

Remuneration Committee	Proposal	Result	The Company's Handling
2022/03/17	● The proposed compensation distribution for employees and directors for the year 2021.	All members agreed to approve	Submitted to the Board and approved by all the attending directors.
2022/05/05	● The proposed salary adjustment for 2022 for the Company's managers.	All members agreed to approve	Submitted to the Board and approved by all the attending directors.
2022/08/03	● The Company intends to establish an employee stock ownership trust. ● The Company's manager proposed the first half year performance bonus for 2022.	All members agreed to approve	Submitted to the Board and approved by all the attending directors.
2022/10/31	● The Company's manager proposes to distribute bonuses for the second half of 2022.	All members agreed to approve	Submitted to the Board and approved by all the attending directors.

Other mentionable items:

1. If the Board does not adopt or resolve to amend the recommendation of the Remuneration Committee, it shall state the date of the Board meeting, the session of the meeting, the content of the motion, the Board resolution and the Company's handling of the recommendation of the Committee (if the compensation approved by the Board is higher than the recommendation of the Committee, it shall state the difference and the reasons for the difference): None.
2. If the members of the Remuneration Committee have any objections or reservations to a resolution, and such objections or reservations are recorded or stated in writing, the date and date of the resolution, the content of the resolution, the opinions of all members of the Remuneration Committee and the treatment of the opinions of the members of the Remuneration Committee shall be stated: None.

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

(5) Operation of the Sustainability Committee

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

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

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

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

3. Information on the operation of the Sustainability Committee.

The term of the current committee members is from May 18, 2021 to May 17, 2024 (or until the re-election at the 2024 shareholders' meeting). In 2022, the committee has held 2 meetings (A), approving the company's (including consolidated subsidiaries) greenhouse gas inventory and verification schedule report, the draft of the "Environmental and Occupational Health and Safety Policy," the company's 2023 activity plan and budget proposal for the foundation, as well as reporting the company's ESG achievements, integrity management operations, greenhouse gas inventory and verification schedule implementation, and annual risk management execution. The attendance of the committee members is as follows:

Title	Name	Actual attendance (B)	By Proxy	Actual attendance Rate (B/A)
Chairperson (Director)	LIN, YUNG-CHIEH	2	-	100%
General Manager	CHIU, SHU-HUI	2	-	100%

(Vice Director)				
Independent Director	CHEN, BI-FENG	2	-	100%
Independent Director	YAO, DE-CHANG	2	-	100%
Independent Director	LIU, HSUEH-YU	2	-	100%

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

Promotional Items	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/tpex Listed Companies” and Reasons
	Y	N	Abstract Explanation	
1. Does the Company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	√		The Company has established a Sustainability Committee in 2021, with the Chairman of the Board of Directors as the Chairman, and established a Sustainable Development Task Force, with senior executives in each area responsible for the implementation of the task force. The Company has a short-, medium- and long-term sustainable development plan and reports annually to the Board on its implementation during the year. The Board oversees the formulation of management policies, strategies and objectives for the sustainable development of the Company and the review of measures. Please refer to page 32 of this annual report for the operation of the Sustainability Committee in 2022.	None
2. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	√		Please refer to page 70 of the Company's Annual Report - Risk Management section. On March 10, 2015, the company's board of directors approved the establishment of the "Corporate Social Responsibility Practice Guidelines" to fulfill corporate social responsibility and implement the guidelines' regulations. In response to the trend of sustainable development and corporate governance 3.0, the company revised the guidelines to "Sustainable Development Practice Guidelines" on May 31, 2021, as approved by the board of directors' resolution. On November 8, 2021, the board of directors resolved to issue the "Risk Management Policy and Procedures."	None
3. Environmental issues (1) Does the Company establish proper environmental management systems based on the characteristic of its industry?	√		(1)The Company's business is focused on IC design and is not engaged in manufacturing, which is a low-pollution industry. The Company has established an environmental and energy policy to ensure that its operations are conducted in a manner that enhances	None

Promotional Items	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/tpex Listed Companies” and Reasons
	Y	N	Abstract Explanation	
(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	√		the use of resources and mitigates negative impacts on the environment, and has initiated various management plans through the Sustainability Committee. To further implement the management of a green office environment, ISO 14001 has been introduced in 2022 and is expected to undergo third-party certification in 2023.	None
(3) Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	√		(2)The Company is committed to promoting environmental management. In terms of green office, such as the policy of e-documents, electronic signature system, use of recycled paper, use of environmentally friendly tableware, LED lighting, improvement of energy efficiency of equipment, implementation of centralized waste management and separate disposal, etc. For green products, the materials of the Company’s products are 100% compliant with EU rohs, REACH and HF requirements. The Company actively promotes green products and procurement, and reducing the use of hazardous substances. (3)The Company conducts annual assessments of the risks and opportunities of climate change on its current and future operations, and currently meets the expectations of its customers and stakeholders. The Company is still promoting its own measures, such as replacing energy-inefficient equipment, adopting LED energy-saving lighting, monitoring air-conditioning systems to improve energy efficiency, turning off lights when idle for long periods of time, implementing centralised waste management, recycling and sorting, paperless operations, and promoting related carbon reduction initiatives. The company also plans to introduce ISO 14064 and Task Force on Climate-related Financial Disclosures (TCFD) in 2023, which will serve as the basis for future response actions and risk assessments.	None
(4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?	√		(4)The Company has established environmental, safety and health and energy policies, and regularly tracks water, electricity and waste production. Targets are set for each environmental indicator and the results are reviewed regularly. Statistic on greenhouse gas emissions, water consumption and total weight of waste for the last two years are	None

Promotional Items	Implementation Status			Deviations from "Sustainable Development Best Practice Principles for TWSE/tpex Listed Companies" and Reasons															
	Y	N	Abstract Explanation																
			<p>as follows.</p> <p>●Taiwan Plant</p> <table border="1"> <thead> <tr> <th>Item</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Water consumption (m3)</td> <td>5,354</td> <td>5,389</td> </tr> <tr> <td>Use of electricity (kwh)</td> <td>1,400</td> <td>1,453</td> </tr> <tr> <td>Amount of waste (tonnes)</td> <td>44</td> <td>61</td> </tr> <tr> <td>Greenhouse gas emissions (tonnes of CO2) (Note)</td> <td>703</td> <td>729</td> </tr> </tbody> </table> <p>Note: The company has no production capacity and related emission are indirect.</p>	Item	2021	2022	Water consumption (m3)	5,354	5,389	Use of electricity (kwh)	1,400	1,453	Amount of waste (tonnes)	44	61	Greenhouse gas emissions (tonnes of CO2) (Note)	703	729	
Item	2021	2022																	
Water consumption (m3)	5,354	5,389																	
Use of electricity (kwh)	1,400	1,453																	
Amount of waste (tonnes)	44	61																	
Greenhouse gas emissions (tonnes of CO2) (Note)	703	729																	
<p>4. Social issues</p> <p>(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	✓		<p>(1)The Company has established a Human Rights and Diversity Policy that recognises and supports internationally recognised human rights norms and principles, including the Universal Declaration of Human Rights, the United Nations Global Compact and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, etc. The Company has established a human rights policy that applies to the Company and its affiliated companies. In addition to providing a reasonable and safe workplace, the Company will provide reasonable and dignified treatment to its current employees. In addition, a grievance mechanism is in place so that employees can express their rights and opinions through the grievance channel at any time. Details are available on the Company's website.</p>	None															
<p>(2) Does the Company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?</p>	✓		<p>(2)The Company has established a reasonable salary and remuneration policy in accordance with relevant laws and regulations, and has set out clearly the relevant employee welfare measures in the "Working Rules". Please also refer to the Annual Report - Operation Overview - V. Labour Relations – 1-Employee Benefits.</p>	None															
<p>(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?</p>	✓		<p>(3)The company has established safety and health related policies and work rules to provide a safe and healthy working environment for its employees. These include annual safety checks on plant and fire-fighting equipment, semi-annual monitoring of the working environment (e.g. Carbon dioxide, lead, lighting, noise), daily cleaning of the environment, weekly visits by a full-time nurse, quarterly consultations with a</p>	None															

Promotional Items	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/tpex Listed Companies” and Reasons
	Y	N	Abstract Explanation	
(4) Does the Company provide its employees with career development and training sessions?	√		doctor, annual health checks for employees, twice weekly stress relief massage and other health promotion activities. In 2022, in response to the outbreak of the epidemic, the company continued upholding the spirit of immediate response and launching various preventive measures (epidemic prevention supplies, environmental cleaning, body temperature monitoring, access and travel control, remote office planning, etc.), and regularly disinfected the office environment on a weekly basis. In 2022, 1260 people were trained in health and safety related education and training courses, with a total of 1590 hours.	None
(5) Do the Company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	√		(4)The Company provides a comprehensive career development training program and arranges relevant training courses according to employees' need, rank and function. In 2022, the online learning platform ilearn was introduced, providing supervisors and colleagues with diverse online and offline course options, recording the training history of each colleague, and constructing a robust career development blueprint. In 2022, each colleague received an average of 11.6 hours of training, with a total of 171 technical practice courses, totaling 471 hours, available for colleagues to study.	None
(6) Does the Company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	√		(5)The Company's marketing and labelling of products and services are in accordance with relevant laws and regulations and international standards. (6)The Company has a supplier management policy. Prior to purchasing from suppliers, corporate sustainability issues are assessed and suppliers are required to comply with social responsibility related policies and regulations. In addition, we have a green product sourcing policy to ensure that raw materials used in the production of our products are in compliance with rohs, REACH and HF requirements. In addition, a conflict minerals policy is in place to ensure that the raw materials supplied by our suppliers do not contain conflict minerals.	None

Promotional Items	Implementation Status			Deviations from "Sustainable Development Best Practice Principles for TWSE/tpex Listed Companies" and Reasons
	Y	N	Abstract Explanation	
			We work together to build a sustainable supply chain for coexistence and mutual prosperity.	
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?	Y		The company's fulfillment of social responsibility has been disclosed in the annual report and on the company's website and has been uploaded to the Public Information Observation Station according to the regulations of the competent authority. The company publishes an annual sustainability report by June 30 each year, compiled using the GRI Standards' Core Option and obtaining third-party assurance (SGS) in accordance with AA1000's moderate assurance level.	None
6. Describe the difference, if any, between actual practice and the sustainable development principles, if the Company has implemented such principles based on the Sustainable Development Best Practice Principles for TWSE/tpex Listed Companies: The Company's Board of Directors approved a revised Code of Practice on Sustainable Development on May 31 2021. There are no significant differences between the Code of Practice on Sustainable Development and the Code of Practice on Sustainable Development for Listed Companies, please refer to the Company's website - Sustainability Report https://www.fitipower.com/documents/esg				
7. Other significant information for explaining the implementation status of sustainable development practices: (Please refer to the CSR Section on website of the Company. Website: https://www.fitipower.com/esg				

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

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

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
<p>full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?</p> <p>3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>4) Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?</p> <p>5) Does the company regularly hold internal and external educational trainings on operational integrity?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>Promoting Honest Management" by the Management Center in 2022, which is responsible for the policy of honest management and preventive measures, and reports the implementation status to the Board of Directors once a year.</p> <p>In 2021, the Company implemented the following plans to implement its policy of honest management.</p> <ol style="list-style-type: none"> All staff (including new recruits) are required to complete a training course and pass a test (including the "Code of Conduct for Integrity" and the "Procedures and Behavioural Guidelines for Integrity"). The Management Division will regularly promote compliance with the law to all staff. Regular audits by internal auditors and annual internal control audits by accountants. Complaints are handled and no breach of integrity has been received in 2022. <p>(3) The Company has established the "Operating Procedures and Conduct Guidelines for Integrity" as a guide for employees to follow when conducting business, and has set up a whistleblowing mailbox on the Company's website as a reporting channel.</p> <p>(4) The Company has established an effective accounting system and internal control system, which is reviewed from time to time to ensure that the system is designed and implemented in an effective manner. Internal auditors regularly review the compliance of the former system and prepare audit reports to the Board of Directors.</p> <p>(5) In order to establish an ethical corporate culture and strengthen the promotion of management, the Company has been conducting regular ethical management education and training since 2021. The course includes the Company's "Code of Conduct for Ethical Management" and "Ethical Management Procedures and</p>	<p>None</p> <p>None</p> <p>None</p>

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			Conduct Guidelines". In 2022, the cumulative number of newcomers attending classes was 103, with a total of 23.7 hours of study.	
3. Operation of the integrity channel 1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? 2) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures? 3) Does the company provide proper whistleblower protection?	√ √ √		(1) The Company has established a specific whistleblowing and reward system in the "Integrity Procedures and Practices Guide", a whistleblowing mailbox (wb@fitipower.com), and assigned appropriate staff to receive reports against the subject of the report. (2) The Company has established standard operating procedures for the investigation of whistleblowing matters and the related confidentiality mechanism in the "Procedures and Practices for Integrity Management". (3) The Company's staff handling the report shall declare in writing that the identity of the whistleblower and the content of the report shall be kept confidential, and the Company shall undertake to protect the whistleblower from being improperly dealt with as a result of the report.	None None None
4. Strengthening information disclosure 1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	√		(1) The Company has disclosed the contents of the Code of Conduct and the effectiveness of its promotion through the Company's website.	None
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/tpex Listed Companies, please describe any discrepancy between the policies and their implementation: On April 16, 2015, the Board of Directors of the Company established the "Code of Conduct with Integrity" and has been implemented the regulation since then.				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies: The Company will keep abreast of the development of domestic and international ethical practices and encourage its directors, managers and employees to make suggestions to review and improve the Company's ethical policies and measures to enhance the effectiveness of the implementation of the Company's ethical practices.				

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

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

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

(10) Implementation Status of Internal Control System

1. Statement of Internal Control System:

Fitipower Integrated Technology Inc. Statement of Internal Control System

Date: Feb. 23, 2023

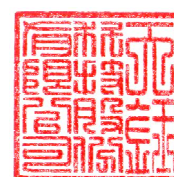
Based on the findings of a self-check, the Company states the following with regard to its internal control system during the year of 2022:

- I. The Company acknowledges that the Company's Board of Directors and the managerial officers are responsible for establishing, implementing, and maintaining an adequate internal control system, and the Company has established such system. The objectives of internal control system include achieving various objectives in business benefits and efficiency (including profitability, performance, and protection of security for assets), ensuring the reliability, timeliness, transparency, and regulatory compliance of reporting, and providing reasonable assurance.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the three aforementioned objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component comprises a few different items. For more information concerning the items, please refer to the Regulations.
- IV. The Company has already adopted the aforementioned Regulations to evaluate the effectiveness of its internal control system design and operating effectiveness.
- V. Based on the findings of the aforementioned evaluation, the Company believes that, on December 31, 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries) to provide reasonable assurance over our operating effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
- VI. This statement is an integral part of the Company's annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities Transaction Act.
- VII. This statement was passed by the Board of Directors in the meeting held on Feb. 23, 2023, with none of the seven attending Directors expressing dissenting opinions. The remainder all affirmed the content of this statement.

Fitipower Integrated Technology Inc.

Chairperson: LIN, YUNG-CHIEH

President: CHIU, SHU-HUI



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

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

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

On June 22, 2022, matters resolved by all shareholders present at ordinary general meetings and subsequent implementation.

Resolutions	Implementation
1. Passed the resolution on the business reports and financial statements for 2021.	The resolution was passed.
2. Passed the resolution on the distribution of profits for 2021.	Shareholders will receive a cash dividend of 17 dollars per share, to be distributed on September 5, 2022.
3. Passed the resolution on the change to the capital increase plan for 2021; the plan will proceed according to the revised purpose.	According to the revised articles.
4. Passed the resolution on the amendment of some articles of the company's charter; the charter will proceed according to the revised articles.	According to the revised articles.
5. Approved the amendment to the "Rules of Procedure of the Shareholders' Meeting"	In accordance with the amended Articles of Association.
6. Passed the resolution on the amendment to the company's "Asset Acquisition or Disposal Procedures"; the procedures will proceed according to the revised plan.	According to the revised articles.
7. Passed the resolution on lifting the non-competition restrictions for directors.	The resolution was passed.

Date	Type of Meeting	Major Resolutions
2022/3/17	Board Meeting	1. Distribution of employee and director remuneration for 2021. 2. Business reports and financial statements for 2021. 3. Proposed changes to the capital increase plan for 2021. 4. Lifting of the non-competition restrictions for directors. 5. Convening the 2022 Annual Shareholders Meeting. 6. Assessment of the effectiveness of the company's internal control system for 2021 and the internal control system statement.

Date	Type of Meeting	Major Resolutions
2022/5/5	Board Meeting	1.Distribution of profits for 2021. 2.Amendment of some articles of the company's charter. 3.Proposed amendment to the company's "Shareholders' Meeting Rules of Procedure." 4.Proposed amendment to the company's "Asset Acquisition or Disposal Procedures." 5.Supplementary agenda for 2022 Annual Shareholders Meeting. 6.Financial statements for the first quarter of 2022.
2022/8/3	Board Meeting	1.Financial statements for the second quarter of 2022.
2022/10/31	Board Meeting	1.Financial statements for the third quarter of 2022.
2023/2/23	Board Meeting	1.Distribution of employee and director remuneration for 2022. 2.Business reports and financial statements for 2022. 3.Lifting of the non-competition restrictions for directors. 4.By-election for independent directors. 5.Convening the 2023 Annual Shareholders Meeting. 6.Assessment of the effectiveness of the company's internal control system for 2022 and the internal control system statement.
2023/4/19	Board Meeting	1.2022 Profit distribution plan 2. The company plans to conduct a cash capital reduction and return of share capital 3. Nomination of independent director candidates and matters related to the review of nominees. 4. Proposal to amend the company's "Shareholders' Meeting Rules." 5. Proposal of Release the Prohibition on Directors from Participation in Competitive Business 6. Amendment to the reasons for convening the 2023 Shareholders' Meeting.

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

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

5. Information Regarding the Company's Audit Fee for Independent Auditors

Unit: NT\$ thousands

Name of Accounting Firm	Name of CPA	Period Covered by cpas' Audit	Audit Fee	Non-audit Fee	Total	Note
KPMG in Taiwan	CHOU, PAO-LIEN	2022/01/01~	3,200	1,102	4,302	(Note)
	MEI, YUAN-CHEN	2022/12/31				

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

(1) If the non-audit fees paid to the certifying accountant, the certifying accountant's firm and its affiliates amount to more than one-fourth of the audit fees, the amount of audit and non-audit fees and the content of non-audit

services should be disclosed: None.

(2) If the audit fee paid in the year of change of accounting firm is less than the audit fee paid in the year before the change, the amount of audit fee before and after the change and the reasons for the change should be disclosed: None.

(3) If the audit fee has decreased by 15% or more from the previous year, the amount, percentage and reason for the decrease should be disclosed: None.

6. Information on Replacement of CPA: None.

7. Where the Company's Chairperson, President, or any Managerial Officer in Charge of Finance or Accounting Matters Has in the Preceding Year Held a Position at the Accounting Firm of Its CPAs or at an Affiliated Enterprise of Such Accounting Firm: **None**.

8. Any Transfer of Equity Interests and Pledge and Change in Equity Interests by a Director, Managerial Officer, or Shareholder with a Stake of More Than 10 Percent

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

Units: Shares

Title	Name	2022		By March 31, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairperson and CEO	LIN, YUNG-CHIEH	-	-	(250,000)	-
Director	Hong Yang Investment INC.	-	-	-	-
	Rept.: LIU, JIN-XUN	-	-	-	-
Director	Hong Yang Investment INC.	-	-	-	-
	Rept.: LUO, WEN-WEI	-	-	-	-
Director and General Manager	CHIU, SHU-HUI	-	-	-	-
Independent Director	YAO, DE-CHANG	-	-	-	-
Independent Director	CHEN, BI-FENG	-	-	-	-
Independent Director	LIU, HSUEH-YU	-	-	-	-
Vice General Manager	TSAI, KUN-HSIEN	-	-	-	-
Vice General Manager	CHANG, KUEI-KAI	(42,900)	-	-	-
Associate Manager	HSU, CHONG-MING	(10,000)	-	-	-
Associate Manager	LIN, XIN-JIE	-	-	-	-
Accounting Manager	CHEN, PO-CAN	(43,400)	-	-	-
Head of Corporate Governance	CHEN, YI-HUI	-	-	-	-

(2) Information on transfer of shareholdings:

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

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

9. Relationship among the Top Ten Shareholders:

April 2, 2023 Units: Shares; %

Name	Current Shareholding		Spouse's/ Minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Hong Yang Investment INC.	13,213,984	7.08	-	-	-	-	Hong Yang Investment INC. Hong Chi International Investment INC. HONGYUAN INTERNATIONAL INVESTMENT CO.	Subsidiary of HON HAI PRECISION INDUSTRY CO., LTD.	
Rept.: HUANG, DE-TSAI	-	-	-	-	-	-	Hong Yang Investment INC. Hong Chi International Investment INC. HONGYUAN INTERNATIONAL INVESTMENT CO.	Chairman of the company listed on the left Chairman of the company listed on the left Chairman of the company listed on the left	
BAO XIN International Investment INC.	10,540,000	5.65	-	-	-	-	BAO XIN International Investment INC. Hong Chi International Investment INC. HONGYUAN INTERNATIONAL INVESTMENT CO.	Subsidiary of HON HAI PRECISION INDUSTRY CO., LTD.	
Rept.: HUANG, DE-TSAI	-	-	-	-	-	-	BAO XIN International Investment INC. Hong Chi International Investment INC. HONGYUAN INTERNATIONAL INVESTMENT CO.	Chairman of the company listed on the left Chairman of the company listed on the left Chairman of the company listed on the left	
Hong Chi International Investment INC.	10,100,037	5.41	-	-	-	-	BAO XIN International Investment INC. Hong Yang Investment INC. HONGYUAN INTERNATIONAL INVESTMENT CO.	Subsidiary of HON HAI PRECISION INDUSTRY CO., LTD.	
Rept.: HUANG, DE-TSAI	-	-	-	-	-	-	BAO XIN International Investment INC. Hong Yang Investment INC. HONGYUAN INTERNATIONAL INVESTMENT CO.	Chairman of the company listed on the left Chairman of the company listed on the left Chairman of the company listed on the left	
Qun Yi Investment INC.	9,000,000	4.82					-	-	
Rept.: HUNG, JIN-YANG	-	-	-	-	-	-	-	-	
Hsien Jin Investment INC.	3,416,008	1.83	-	-	-	-	-	-	
Rept.: YEH, CHAO-DONG	-	-	-	-	-	-	-	-	
HONGYUAN INTERNATIONAL INVESTMENT CO.	2,815,000	1.51	-	-	-	-	BAO XIN International Investment INC. Hong Yang Investment INC. Hong Chi International Investment INC.	Subsidiary of HON HAI PRECISION INDUSTRY CO., LTD.	
Rept.: HUANG, DE-TSAI	-	-	-	-	-	-	BAO XIN International Investment INC. Hong Yang Investment INC. Hong Chi International Investment INC.	Chairman of the company listed on the left Chairman of the company listed on the left Chairman of the company listed on the left	

Name	Current Shareholding		Spouse's/ Minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Jpmorgan Chase Bank, Taipei Branch is entrusted with the custody of the Van Gard Emerging Markets Equity Index Fund managed by Van Gard Group, Inc.	2,080,375	1.12%	-	-	-	-	-	-	
Jpmorgan Chase Bank, N.A., Taipei Branch is entrusted with the custody of Vanguard Total International Equity Index Fund, a series of funds of Vanguard Starlight Fund, Inc.	2,038,648	1.09	-	-	-	-	-	-	
Mega International Commercial Bank Co., Ltd. Is entrusted with the custody of the PGIM Prudential High Growth Securities Investment Trust.	1,711,000	0.92	-	-	-	-	-	-	
HSBC (Taiwan) Commercial Bank Co., Ltd. Has been entrusted with the custody of the investment account of Arcadia Emerging Markets Small Cap Equity Fund Co.	1,492,000	0.80	-	-	-	-	-	-	

10. The Total Number of Shares and Total Equity Stake Held in any Single Enterprise by the Company, its Directors and Supervisors, Managerial Officers, and any Companies Controlled either Directly or Indirectly by the Company:

Dec. 31, 2022 Unit: 1,000 shares; %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Trade Logic Limited	30	100.00	-	-	30	100.00
Visual Sensing Technology Co., Ltd.	23,000	89.16	-	-	23,000	89.16
Ever Harvest Limited	10,000	100.00	-	-	10,000	100.00
JADARD (Shengzhen)	223,216	55.04	12,338	3.04	235,554	58.08
Hefei JADARD Microelectronics Co.	Note	55.04	-	-	Note	55.04
JADARD Technology Inc.	9,200	55.04	-	-	9,200	55.04
JADARD (Xiamen)	Note	55.04	-	-	Note	55.04
PUYU Investment Co.	50,000	100.00	-	-	50,000	100.00

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

IV. Capital Overview

1. Capital and Shares

(1) Source of Capital

1. Share Type

April 2, 2023 : Unit: shares

Share Type	Authorized Capital			Remark
	Outstanding Shares (Note)	Unissued Shares	Total	
Ordinary shares	186,545,312	113,454,688	300,000,000	Belonging to the stock of a listed company

Note: Including 369,000 shares of treasury stock

2. Share capital formation

Unit: 1,000 shares; NT\$ thousands

Month/Year	Par-Value (NT\$)	Authorized Capital		Paid-in Capital		Sources of Capital	Remark	
		Shares	Amount	Shares	Amount		Capital Increased by Assets Other than Cash	Date of Approval and Number of Approval
2018.04	10	150,000	1,500,000	141,497	1,414,968	Cancellation of Restricted Staff New Shares \$441,000	None	2018.04.10Chu-shan-tzu-20180010638
2018.08	10	150,000	1,500,000	141,402	1,414,020	Cancellation of Restricted Staff New Shares \$948,000	None	2018.08.21Chu-shan-tzu-20180024240
2018.11	10	200,000	2,000,000	160,426	1,604,260	Cash capital increase of NT\$189,000,000 and new shares with no compensation restriction on employee rights of NT\$1,240,000	None	2018.11.13Chu-shan-tzu-20180033451
2018.11	10	200,000	2,000,000	160,404	1,604,036	Cancellation of Restricted Staff New Shares \$224,000	None	2018.11.27Chu-shan-tzu-20180034309
2018.12	10	200,000	2,000,000	162,861	1,628,606	Issue of new shares with restricted staff rights of \$24,570,000	None	2018.12.18Chu-shan-tzu-20180036692
2019.04	10	200,000	2,000,000	162,839	1,628,389	Cancellation of Restricted Staff New Shares \$217,000	None	2019.04.08Chu-shan-tzu-20190009645
2019.08	10	200,000	2,000,000	162,736	1,627,365	Cancellation of Restricted Staff New Shares \$1,024,000	None	2019.08.21Chu-shan-tzu-20190024299
2019.12	10	200,000	2,000,000	165,687	1,656,875	Issue of new shares with restricted employee rights to increase capital by \$30,000,000 and cancellation of new shares with restricted employee rights to reduce capital by \$490,000	None	2019.12.17Chu-shan-tzu-20190036185
2020.04	10	200,000	2,000,000	165,625	1,656,248	Cancellation of new shares with restricted staff rights reduces capital by \$627,000	None	2020.04.10Chu-shan-tzu-20200009456
2020.08	10	200,000	2,000,000	165,549	1,655,492	Cancellation of Restricted Employee Rights New Shares Capital Reduction of \$756,000	None	2020.08.18Chu-shan-tzu-20200023627
2020.12	10	200,000	2,000,000	166,588	1,665,880	Issue of new shares with restricted employee rights to increase capital by \$10,570,000 and cancellation of new shares with restricted employee rights to reduce capital by \$182,000	None	2020.12.17Chu-shan-tzu-20200035500
2021.05	10	300,000	3,000,000	166,558	1,665,579	Cancellation of Restricted Employee Rights New Shares Reduction of \$301,000	None	2021.05.26Chu-shan-tzu-20210014797
2021.08	10	300,000	3,000,000	186,545	1,865,453	Capital increase of \$200,000,000 in cash and	None	2021.08.20Chu-shan-tzu-

Month/Year	Par-Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Date of Approval and Number of Approval
						capital reduction of \$126,000 by cancelling new shares with restricted employee rights		20210023728

(2) Structure of Shareholders

April 2, 2023

Shareholder Structure Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	-	4	153	42,131	242	42,530
Shareholding	-	499,000	63,389,226	93,508,821	29,148,265	186,545,312
Percentage	-	0.27	33.98	50.12	15.63	100.00

Note: The shares held include 369,000 shares of treasury stock.

(3) Shareholding Distribution Status

April 2, 2023

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding	Percentage
1 - 999	13,646	1,684,018	0.90
1,000 - 5,000	25,749	44,698,952	23.96
5,001 - 10,000	1,816	13,695,380	7.34
10,001 - 15,000	450	5,657,868	3.03
15,001 - 20,000	275	5,086,086	2.73
20,001 - 30,000	215	5,389,327	2.89
30,001 - 40,000	97	3,474,320	1.86
40,001 - 50,000	51	2,328,330	1.25
50,001 - 100,000	112	8,120,803	4.35
100,001 - 200,000	40	5,445,796	2.92
200,001 - 400,000	30	8,627,009	4.62
400,001 - 600,000	22	10,960,839	5.88
600,001 - 800,000	9	6,171,916	3.31
800,001 - 1,000,000	2	1,706,713	0.91
1,000,001 or over	16	63,497,955	34.05
Total	42,530	186,545,312	100.00

Note: The shares held include 369,000 shares of treasury stock.

(4) List of major shareholders

April 2, 2023

Shareholder's Name	Shareholding	Percentage
Hong Yang Investment INC.	13,213,984	7.08
Bao Xin Investment INC.	10,540,000	5.65
Hong Chi Investment INC.	10,100,037	5.41

Shareholder's Name	Shareholding	Percentage
Chun Yi Investment INC.	9,000,000	4.82
Hsien Jin Investment INC.	3,416,008	1.83
Hong Yuan Investment INC.	2,815,000	1.51
Jpmorgan Chase Bank, Taipei Branch is entrusted with the custody of the Van Gard Emerging Markets Equity Index Fund managed by Van Gard Group, Inc.	2,080,375	1.12
Jpmorgan Chase Bank, N.A., Taipei Branch is entrusted with the custody of Vanguard Total International Equity Index Fund, a series of funds of Vanguard Starlight Fund, Inc.	2,038,648	1.09
Mega International Commercial Bank Co., Ltd. Is entrusted with the custody of the PGIM Prudential High Growth Securities Investment Trust.	1,711,000	0.92
HSBC (Taiwan) Commercial Bank Co., Ltd. Has been entrusted with the custody of the investment account of Arcadia Emerging Markets Small Cap Equity Fund Co.	1,492,000	0.80

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

Unit: NT\$ thousands; 1,000 shares

Item		Year	2021	2022	By March 31, 2023 (Note 3)
Market Price per Share (Note 1)	Highest Market Price		395.00	289.00	186.00
	Lowest Market Price		117.50	87.00	116.00
	Average Market Price		250.61	156.00	155.81
Net Worth per Share	Before Distribution		85.11	93.43	-
	After Distribution		68.11	(Note 2)	-
Earnings per Share	Weighted Average Shares		172,974	186,176	-
	Earnings per Share		33.83	16.49	-
Dividends per Share	Cash Dividends		17.00	(Note 2)	-
	Stock Dividends	Dividends from Retained Earnings	-	-	-
		Dividends from Capital Surplus	-	-	-
	Accumulated Undistributed Dividends		-	-	-
Return on Investment	Price / Earnings Ratio		7.41	9.46	-
	Price / Dividend Ratio		14.74	(Note 2)	-
	Cash Dividend Yield Rate		6.78%	(Note 2)	-

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

Note 2: The 2022 annual earnings distribution has been approved by the board of directors and has not yet been approved by the shareholders at the annual general meeting.

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

(6) Dividend Policy and Implementation Status:

1. Dividend Policy in the Articles of Incorporation

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

2. Proposed Distribution of Dividends

The 2022 profit distribution plan of the Company has been proposed by the Board of Directors on April 19, 2023, to distribute a cash dividend of NT\$8.5 dollars per share, with a total distribution of NT\$1,582,499

thousand dollars.

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

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

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

(8) Remuneration of Employees, Directors and Supervisors

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

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

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

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

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

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

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

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

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

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

At the Board of Directors' meeting on Feb. 23, 2023, the Company resolved to distribute \$201,488 thousand in employees' remuneration and not to distribute directors' remuneration, which will be done in accordance with the relevant regulations after the shareholders' meeting on May 31, 2023.

The total amount of directors' and employees' emoluments shown above is consistent with the original estimate of fees for 2022 and there is no difference yet.

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

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

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

Unit: NT\$ thousands

Item	2022 actual distribution	Recognized in 2021	Difference
Employee Cash Remuneration	369,675	369,675	-
Directors' remuneration	-	-	-

(9) Buyback of Treasury Stock: None.

Executed:

Buyback Period	1 st
Purpose of Buyback	Transfer of shares to employees
Buyback Period	2020/03/30--2020/05/18
Buyback Interval Price	NT\$20 to NT\$40 per share
Type and number of shares bought back	369 thousand shares
Amount of shares bought back	NT\$ 9,449 thousands
Number of shares bought back as a percentage of the	7.38%

number of shares scheduled to be bought back (%)	
Number of shares cancelled and transferred	0
Cumulative number of shares held by the Company	369 thousand shares
Cumulative number of shares held by the Company as a percentage of the total number of issued shares	0.20%

2. Status of Corporate Bonds: None.

3. Status of Preferred Stocks: None.

4. Status of Global Depository Receipts: None.

5. Status of Employee Stock Options: None.

6. Status of Employee Restricted Stocks : None.

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

8. Status of Implementation for Fund Utilization Plan: None.

V. Operational Highlights

1. Business Activities

1) Scope of business

1. The principal elements of the Company's business

CC01080 Electronic Parts and Components Manufacturing

F401010 International Trade

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

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

(2) Memory ics for communications.

(3) Analog/digital hybrid ics.

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

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

2. Business percentage

Unit: NT\$ thousand;%

Item	Year	2022	
		Revenue	Revenue proportion
Display Driver IC		14,423,948	73.29
Power Management IC		2,841,347	14.44
Other related semiconductor		2,415,130	12.27
Total		19,680,425	100

3. Current products (services) of the Company

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

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

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

4. New products (services) to be developed

(1) Display driver IC

- A. Innovative intelligent charge recovery control technology power-saving driver IC
- B. 8-bit 2886ch panel driver IC with built-in timing control
- C. 6/8-bit high-speed interface 1446ch source driver IC with Level Shift (16 phase GOA)
- D. Innovative multi-chip synchronous testing technology driver IC
- E. Mini LED backlight driver IC
- G. P2P 3.5Gbps panel driver IC

(2) Power management ics

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

(3) Other related semiconductors

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

2) Industry overview

1. Current industry status and development

The Company focuses on niche products such as display driver ics, power management ics, and other related semiconductors. The back-end applications include various consumer and industrial products, and the breadth and diversity of the product lines have made it a medium-to-large IC design company. According to the survey of the 2023 Taiwan IC Design Industry Policy White Paper, the total revenue of Taiwan's semiconductor industry value chain in 2022 reached 174.8 billion US dollars. Among them, the total revenue of the IC design industry ranks second, accounting for about 23%, which is another

development pillar following the foundry industry, and its output value has grown about 200 times since 1990. Overall, the combined revenue of IC design, foundry, and IC packaging and testing accounts for nearly 90% of the total revenue of Taiwan's semiconductor industry. In addition, IP/EDA and semiconductor materials and equipment industries are led by foreign companies, and the revenue scale of local Taiwanese companies is relatively limited.

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

In 2022, the global IC design industry's total revenue is estimated to reach 215.4 billion US dollars. Among them, the US IC design industry is the largest in scale, with a market share of up to 63% and revenue exceeding 130 billion US dollars. Taiwan's IC design industry accounts for 18%, close to 40 billion US dollars, ranking second in the world. China's IC design industry accounts for nearly 15%, ranking third globally in market share. As for Europe, Japan, South Korea, and other countries, there are a few IC design companies, but they have not yet formed an industry on the same scale as the US, Taiwan, and China.

From the above, it is evident that under the trend of increasing importance of Taiwan's IC design industry, the company's influence in the overall industry is gradually increasing.

(1) Display Driver IC

The demand for personal computers in 2022 is impacted by negative factors such as the Russo-Ukrainian war and inflation, leading to subsequent inventory adjustments and a quarterly decline in shipments throughout the year. The structural imbalance between supply and demand in the personal computer market in 2023 remains to be resolved. According to research institutions, there is a chance that the market will return to seasonal cycles in the second half of 2023 as global inflation slows and supply chain inventories are digested.

The Company has continued to focus on low power consumption in information technology products in 2022, successfully developing low-voltage high-frequency power-saving ics for laptops and monitors (2.1G / 1.8V P2P IC for notebooks and 8-bit 2.5V 460mhz m-LVDS IC for 100Hz MNT). In response to the trend of low power consumption and lightweight design for laptops, we are actively promoting the next-generation platform for L-drive IC for 16:10 laptops. Moreover, due to the higher requirements for GSM/EMI/ESD certification of related products, the design of driver chips not only strengthens their power consumption specifications but also emphasizes the requirements of IC in EMI/GSM specifications.

Looking into the post-pandemic era, the demand for high-end business laptops and high-refresh-rate gaming personal computers will gradually increase. Tianyu Technology's future IC development will keep pace with the market, moving towards high specifications and customization, focusing on high-resolution, high-refresh-rate, lightweight gaming, and touch personal computer products, continuously increasing shipments and expanding market share. Additionally, in terms of television sets, UD products are rapidly replacing FHD products, and HD and FHD product lines are gradually shifting towards lower-cost Tri-Gate models, resulting in higher drive IC temperatures and increased demand for COF heat sinks. Tianyu Technology has completed the development and mass production of low-heat-generation drive ics for television products in response to this trend. Considering that the television system is moving towards integrated and cost-reduced T-CON Less development, we have specifically strengthened the compatibility of our IC design with the system to improve the reliability and yield of Tianyu products and make them more cost-effective than competitors.

In terms of medium-sized products, the overall market for the 2022 industrial control market and automotive products was poor in the first half of the year, with terminal and supply chain inventories still to be digested, resulting in shrinking shipment momentum. In the second half of the year, demand recovered, and shipment momentum gradually picked up. In response to the full range of development in various specifications and sizes, Tianyu Technology's newly developed FHD, 2K, and 4K projector display driver ics have begun sample verification, and it is expected that they will begin contributing to performance in the second half of 2023.

(2) Power Management IC

With the development of intelligent and Internet of Things technology, more and more electronic devices require high-efficiency, low-power-consumption, and high-stability power management ics. As green environmental concepts become more widespread and global demand for energy-saving

and emission reduction grows, the development of energy management technology provides more opportunities for the power management IC industry. Due to this trend, Tianyu Technology's new product development is also moving towards higher efficiency, energy-saving, and low-power consumption.

The development of emerging applications and fields such as smart homes, smart cities, and intelligent equipment will also bring new opportunities to the power management IC industry. With the popularization of intelligence, the applications of batteries are becoming more extensive. In addition to the lithium battery applications and various power ics for industrial applications under development, the application range of various motor drives is also expanding, which is one of our key development projects. Moreover, with people's increasing awareness of environmental protection and policy support, the booming development trend of electric vehicles makes power management ics and DC motor drive ics necessary components in electric vehicles. The company is committed to developing new product projects in this area, and subsequent related products will continue to develop towards high-voltage and high-current fields.

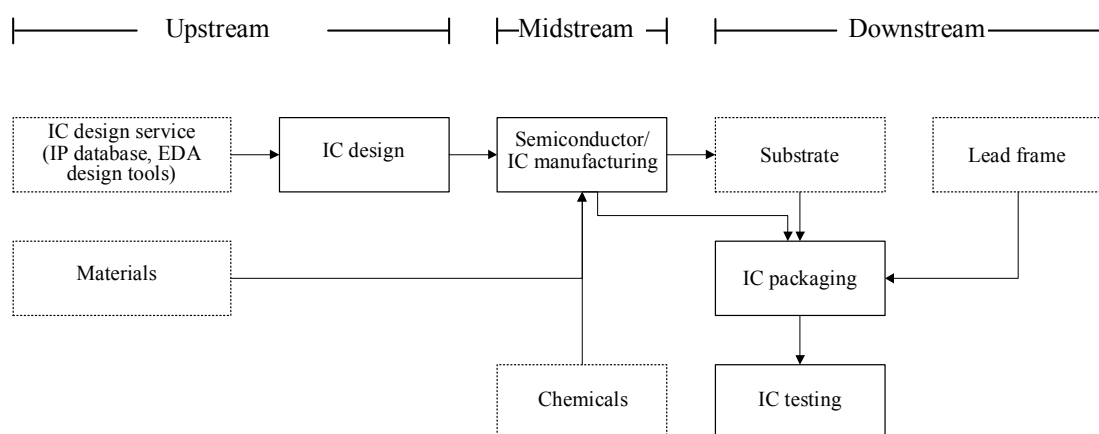
(3) Other related semiconductors

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

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

2. The link between upstream, midstream and downstream industries

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



Taiwan is a global stronghold for the information and communication technology (ICT) industry, and supporting the development of the ICT industry supply chain is Taiwan's complete semiconductor ecosystem. Taiwan's IC design industry is one of the major sources of customers for wafer foundry and IC packaging and testing industries, indirectly driving demand for upstream semiconductor materials and equipment. On the other hand, it also enables the downstream ICT industry to continuously innovate, providing more cost-effective, high-performance, energy-saving, and innovative products. As the IC design industry plays a crucial role in linking the upstream, midstream, and downstream

industries for co-prosperity, the development of Taiwan's IC design industry will also affect Taiwan's overall competitiveness in the technology field.

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

3. Product development trends

(1) Display driver ics

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

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

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

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

Looking at the overall trend, the product trends of OLED, Mini LED, high-resolution, and high-refresh-rate gaming laptops are expected to accelerate in the future. Upon further analysis, as Mini LED display technology has a higher cost, it is currently mainly used in high-end laptop models, and increasing its penetration rate may be challenging. As OLED panel technology matures, it will gradually become the main solution for mid-to-high-end consumer and commercial laptop applications.

(2) Power Management IC

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

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

In summary, power management ics play an important role in energy conservation and environmental protection, providing efficient energy-saving, long-lasting, low electromagnetic

radiation, and green power management solutions, which are positively significant for promoting green low-carbon development and protecting the environment.

(3) Other related semiconductors

1. Timing Control IC:

The company's edp Tcon shipments or the number of customers introduced to the panel will increase quarter by quarter in 2022, mainly used in tvs and monitor displays, and will soon be introduced and mass-produced in the laptop market. The company also provides standardized and customized solutions to meet the specification requirements of system brand customers and panel customers while increasing its market share.

2. E-book drive IC

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

4. Competitive situation

(1) Display Driver IC

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

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

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

(2) Power Management IC

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

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

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

(3) Other related semiconductors

In terms of timing control ics, the company has combined different product lines and evolved with market protocols. Although the initial market share was low, the revenue share increased quarter by quarter in 2022, with an accelerating trend. In the future, it will continue to grow rapidly, increase market share, and expand towards different application ends, boosting shipments.

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

(3) Technical and R&D status

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

Unit : NT\$ thousands

Item	2022	Up to 2023 Q1
R&D expenses	2,442,571	541,095
Net revenue	19,680,425	3,936,819
Percentage of net revenue	12.41%	13.74%

2. Successfully developed technologies or products

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

Year	R&D Results	Application Fields
2021	6/8 BIT P2P 1440CH RX 2 Side for NB Driver IC development	Laptop panels
	ES9.0 Low Power MNT Driver IC and Timing Control IC development	Desktop panels
	Edp 1.2 HD Low Power NB timing control IC development	Laptop panels
	New Gen Color ebook Source & Gate driver ics	E-books
	QHD Gaming MNT Timing Control IC ASIC development	Desktop panels
	PMIC+P-GMA 2-in-1 Power Management IC development	TV panels
	UT TV Highly Integrated ASIC PMIC development	TV panels
	40V/5A High Current CC/CV Step-Down ics	Tvs, chargers
	New Gen COT Series, 5V-18V, 1A-8A Step-Down Power Management ics	Network communication, TV
	Low Standby High Power PSRR Linear Voltage Regulator ics	All types of electrical appliances
2022	Notebook power-saving panel driver IC with new type of voltage level shift circuit	Laptop Panel
	Innovative SDC smart drive control mini-LVDS interface bias power-saving driver IC	PC Panel
	Industry's first 400ppi synchronous dual-gate drive charging and handwriting acceleration positioning display driver IC	E-Book
	Industry's first 3LCD automatic color separation single IC driving low-power high-resolution projection IC	Projector
	High-speed dual-drive ultra-high-resolution 11520 x 11520 (11K) 3D printer driver IC	Printer
	Ultra-high-resolution notebook timing control IC	Laptop Panel

4) Long- and short-term business development plans

1. Short-term development plan

(1) Marketing strategy

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

(2) Production strategy

- A. Strengthen strategic partnerships with existing major foundries, packaging houses, testing houses and other outsourcing companies to obtain stable and adequate production capacity and technical services.

- B. The ongoing US-China trade dispute has intensified global geopolitical tensions. US brands are most active in relocating equipment production and seeking alternative component supply sources; they will strengthen the development of domestic and foreign new wafer foundry capacities to increase wafer supply sources and flexibility, and provide customers with more production location options.
 - C. Establish information networks with our supply chain partners to enable timely control of production progress and volumes.
- (3) Product development strategy
- A. Focus on and understand the needs of our customers and develop products that suit their needs and market trends.
 - B. Build up core product lines and a comprehensive database.
 - C. Leverage the Company's accumulated technology and production capacity to rapidly develop and deliver quality and cost-competitive products.
2. Long-term development plan
- (1) Marketing strategy
- A. Consolidate and grow the business of our customers and agents to steadily increase our revenue and market share, and consistently roll out niche products to increase profits.
 - B. Expand overseas markets and become a partner of major international manufacturers.
 - C. Strengthen customer service and develop sustainable business by aiming for the highest customer satisfaction.
- (2) Production strategy
- A. Share the risk with suppliers to develop new processes and technologies.
 - B. Expand economic scale and reduce production costs.
 - C. Respond early to the industry's low and high season cycles to mitigate their impact.
- (3) Product development strategy
- A. Tailor our products to suit the needs of our customers' applications.
 - B. Develop niche and entry-level products with continuity and integrity of product lines.
 - C. Strengthen process development capabilities to raise product thresholds, quality and optimize costs.
 - D. Increase product core competitiveness.

2. Market and Sales Overview

1) Market analysis

1. Major product sales regions

Unit : NT\$ thousands %

Region	2022	
	Sales amount	Percentage of sales
Domestic Sales	2,710,034	13.77
Export Sales	16,970,391	86.23
Total	19,680,425	100.00

2. Market Share

The company's combined net revenue for 2020 to 2022 is 10.88 billion, 22.868 billion, and 19.68 billion. According to IEK data from the Industrial Technology Research Institute, the IC design industry output value for 2020 to 2022 is 852.9 billion yuan, 1,214.7 billion, and 1,232 billion yuan, resulting in market shares of 1.30%, 1.88%, and 1.60% for the company in the last three years. The company has laid a solid foundation in existing display driver ics, power management ics, and other related semiconductor products. The development of new products and future strategic investment directions are believed to translate into future growth momentum.

3. Market supply and demand and growth prospects

(1) Display driver IC

In the post-pandemic era, the demand for high-end and high-performance 3C products has expanded, and brands have successively launched new products to stimulate consumers, thereby generating demand for purchasing or replacing products such as laptops, tablets, and televisions. According to trendforce, in 2023, the price of TV panels will be stable and fluctuating gently, with a 2.8% annual decrease in global TV panel shipments, reaching 264 million units.

In the laptop market, the global laptop shipments in 2022 were about 202 million units, a significant year-on-year decline of 19%. Sigmaintell predicts that the global laptop market size in 2023 will be about 19.5 million units, a year-on-year decline of about 3%.

As the inventory of some laptop models remains high for brand manufacturers in 2023, they have reduced the procurement of commercial panels, but at the same time, they have begun to increase the procurement of consumer laptop panels. Therefore, trendforce expects that brand manufacturers will complete inventory adjustments in the second quarter of 2023. In addition, domestic demand in China may rebound in the second quarter, and most laptop brands will restore their panel inventory to a relatively healthy state during this period. Moreover, the global Chromebook market shipment volume in 2023 is expected to return to pre-pandemic levels, with fluctuations in future global Chromebook market demand. Mature markets such as the United States and emerging markets such as India and Indonesia will play key roles. From the second quarter of 2023, bulk procurement in the form of "educational tenders" will boost shipment momentum in some regional education markets.

On the other hand, the personal computer end market in 2023 may need to wait for a new product update cycle to stimulate consumer demand for PC replacement. For example, high refresh rates, high resolutions, and 16:10 aspect ratios, etc., IC design companies are cautiously optimistic about the trend of functional upgrades in personal computer applications, which will drive more demand for high-end IC products. IC design companies will also launch comprehensive solutions for the market, including driver ics, timing control ics, and power management ics, to increase their products' market share.

(2) Power Management IC

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

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

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

(3) Other related semiconductors

1. Timing control IC: The penetration rate of edp Tcon is increasing year by year and gradually spreading to different application areas. Companies like us will continue to work with other product lines to expand their market share in the timing control IC field.
2. E-book driver IC: The e-paper market is entering an industrial acceleration period. Companies like us, which have been deeply cultivating this field for a long time, will benefit from the overall industry penetration rate increase and improve shipment volume.

4. Competitive niche

(1) Excellent and experienced professional team

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

(2) Maintaining a good partnership with customers

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

(3) Stable and efficient engineering and production management

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

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

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

(1) Positive factors

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

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

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

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

B. Strong and experienced R&D team

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

C. Well-established vertical integration

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

(2) Negative factors and measures to address them

A. Increasing complexity of the functions required by the product

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

Response:

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

B. Longer talent cultivation period and risk of change

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

Response:

We have a robust welfare and reward system in place to attract talented people and to raise staff morale in order to reduce staff turnover. Moreover, the Company has been exchanging information with academic institutions and research institutes at home and abroad to build up a database of product development technologies.

C. Improvements to the semiconductor process

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

Response:

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

2) Main product applications and manufacturing processes

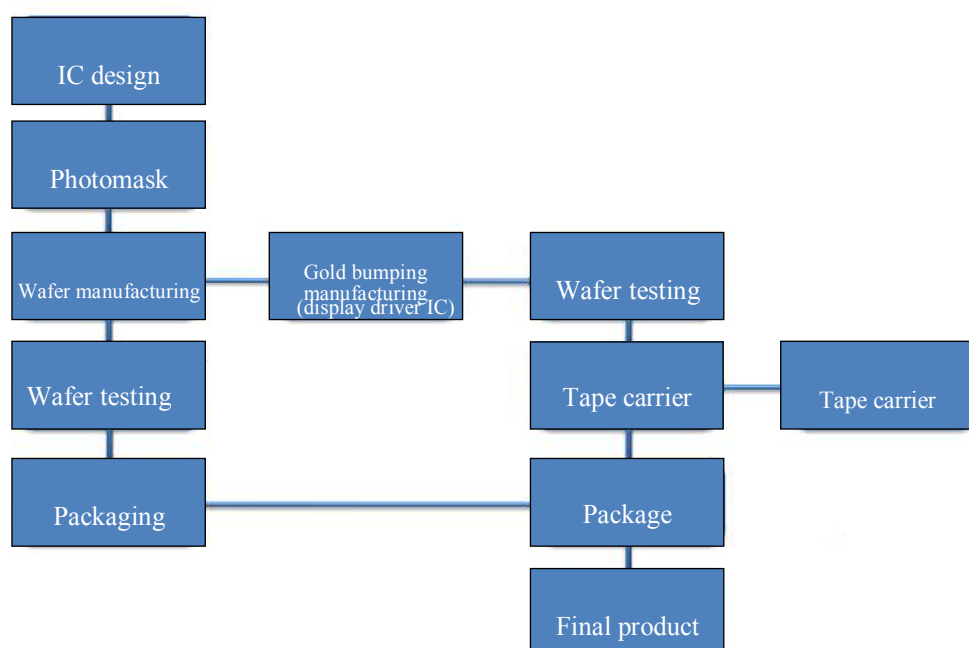
1. Main product applications

Main Products	Type	Important Uses and Functions
Display driver IC	Large Size Source Driver IC	Mainly applied in tvs, notebooks, computer monitors, and automotive and industrial control, medical products, etc.
	Large Size Gate Driver IC	
	Medium Size Driver IC	Mainly applied in industrial control and automotive.
Power Management IC	Switching Regulator IC	Mainly for power voltage/current conversion, detection, and protection, which can improve the efficiency of power supplies. Mainly applied in networking communication products, industrial, and automotive fields.
	Linear Regulator IC	Mainly for power voltage conversion and protection. Applicable to most electronic products, including networking communication products, lighting, industrial, and automotive fields.
	Power Management Integrated Components	Mainly for power voltage/current conversion management and protection. Mainly applied in networking communication products,

Main Products	Type	Important Uses and Functions
		electric meters, and industrial fields.
	Panel Power Management IC	Mainly applied in tvs, notebooks, computer monitors, and industrial control, medical products, etc.
Other Related Semiconductors	Timing Control IC	Mainly applied on various display screens.
	E-book Display Driver IC	Mainly applied in EPD e-books and electronic paper notebooks.

2. Main product manufacturing processes

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



3) Supply situation for major raw materials

Major Raw Materials	Suppliers	Supply Situation
Wafers	110002, 110054, 110001, 110005	Stable quality and supply, long term cooperation, good supply situation

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

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

Unit : NT\$ thousands

No	2021	2022

	Name	Amount	Percentage of full year net purchase amount (%)	Relation with issuer	Name	Amount	Percentage of full year net purchase amount (%)	Relation with issuer
1	210058	1,822,779	18.15	None	210058	3,187,542	37.44	None
2	110104	1,643,536	16.37	None	110104	1,425,269	16.74	None
	Others	6,574,023	65.48		Others	3,901,729	45.82	
	Total	10,040,338	100.00			8,514,540	100.00	

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

Reasons for changes in increase or decrease:

The main raw materials purchased by our company are wafers and thin films. The selection of suppliers mainly considers factors such as capacity acquisition, process technology, yield rate, stable delivery time, and price advantages for large-scale procurement. In 2022, the change in the procurement amount of suppliers accounting for more than 10% of the annual net procurement value was mainly due to the changes in the product portfolio of our company and the comprehensive consideration of the above-mentioned supplier selection criteria.

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

Unit : NT\$ thousands

No	2021				2022			
	Name	Amount	Percentage of full year net sales amount (%)	Relation with issuer	Name	Amount	Percentage of full year net sales amount (%)	Relation with issuer
1	100251	2,591,669	11.33	None	100518	2,298,459	11.68	None
2	D00459	2,590,953	11.33	None	100593	2,036,224	10.34	None
					D00490	2,028,312	10.31	None
	Others	17,685,616	77.34		Others	13,317,430	67.67	
	Total	22,868,238	100.00			19,680,425	100.00	

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

Reasons for changes in increase or decrease:

The increase and decrease of the company's sales targets mainly depend on factors such as end-customer demand, product market changes, product application field development, and customer procurement strategies. In 2022, the market price decline and customers actively reducing inventory led to a 14% decline in sales performance, resulting in changes in the sales amount and proportion of customers.

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

Unit: Thousands of pieces; NT\$ Thousand

Production Product	Year	2021			2022		
		Capacity	Volume	Value	Capacity	Volume	Value
Display Driver IC		(Note)	741,626	9,124,136	(Note)	550,228	8,941,204
Power Management IC		(Note)	1,538,586	2,070,147	(Note)	1,178,340	1,596,157
Other Related Semiconductors		(Note)	108,824	1,320,264	(Note)	104,755	1,293,089
Total		(Note)	2,389,036	12,514,547	(Note)	1,833,323	11,830,450

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

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

Unit: Thousands of pieces; NT\$ Thousand

Sales Product	Year	2021				2022			
		Domestic Sales		Export Sales		Domestic Sales		Export Sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Display Driver IC		52,170	1,186,969	689,635	15,605,357	63,218	1,759,136	498,740	12,664,812
Power Management IC		391,558	996,180	1,045,221	2,423,764	352,956	747,970	797,113	2,093,377
Other Related Semiconductors		14,498	376,583	78,905	2,279,385	10,651	202,928	97,951	2,212,202
Total		458,226	2,559,732	1,813,761	20,308,506	426,825	2,710,034	1,393,804	16,970,391

3. Employees

Units: Persons

Year		2021	2022	Apr. 20, 2023
Number of employees	Management staff	10	12	12
	R&D staff	607	597	565
	Other staff	291	280	270
	Total	908	889	847
Average age		36.53	37.40	37.70
Average years of service		3.27	3.58	4.52
Percentage of employees at each education level	Phd	1.32%	1.46%	1.53%
	Master	55.29%	58.61%	58.56%
	Bachelor	42.51%	38.92%	38.84%
	Senior high school	0.77%	0.90%	0.94%
	Below senior high school	0.11%	0.11%	0.12%

4. Information on Environmental Protection Expenditure

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

5. Labor Relations

- 1) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests.
 1. Staff benefit measures

To protect the rights and interests of our employees and to boost the Company's morale, we offer a comprehensive welfare system for our full-time employees. In addition to basic rights such as labor and health insurance, annual leave, maternity leave and parental leave as required by law, we also provide a wide range of benefit policies and systems, which are detailed in the table below.

Category	Content
Rewards & Benefits	<ul style="list-style-type: none"> ● 14-month basic salary: Besides 12 months of salary, there are festival bonuses of 0.5 month each for the Dragon Boat Festival and Mid-Autumn Festival and a year-end bonus of 1 month of basic salary. ● Besides the basic annual salary, there is a generous dividend and profit sharing system among employees, Employee Stock Ownership Trust ● Referral bonus: After the completion of the probationary period by new recruits referred by internal staff, a bonus will be paid to the fellow referrer by their job grade. ● Patent bonus: A bonus will be awarded once an employee's patent application has been given an application number by the competent authority
Health Promotion	<ul style="list-style-type: none"> ● Labor insurance, health insurance, group insurance and travel insurance: We take out labor insurance, national health insurance, group insurance (including life insurance, accident insurance, hospitalization insurance, accident medical insurance, cancer medical insurance, etc.) And travel insurance policies for every employee ● Health consultation service: Registered nurses visit the premises 4 times a month and doctors visit the premises once a quarter to provide one-to-one professional advice to staff ● Free medical check-ups: We provide free annual medical check-ups for our staff to take care of their health conditions ● Complimentary stress relief massage: 2 massage sessions per week to relieve staff from their busy schedules, with 1176 massage appointments in 2022. ● Recreational club activities: We encourage staff to form their own sports and recreational clubs to help them to be physically and mentally healthy and to relieve stress through moderate exercise and hobby development. ● Special festive gatherings: Fitipower Family Day, Mid-Autumn Festival gala, Christmas dinner and year-end banquets, etc. To promote interaction and create a closer partnership ● <u>Departmental travel benefits, domestic and overseas travel benefits</u>
Complete Care	<ul style="list-style-type: none"> ● Flexible clocking-in system: We offer flexible working hours between Monday and Thursday 08:30-09:30, and Friday 08:00-09:30, to implement a humane management system. ● Advance annual leave: Up to 56 hours of advance annual leave per year ● Midday and evening meal allowances: Staff are provided with meal allowances on working days to encourage them to have a balanced and healthy diet ● Complimentary afternoon snacks: Fortnightly complimentary afternoon snacks are provided to allow staff to relax and enjoy a small treat at work ● Holiday cash gifts ● Wedding, funeral, maternity and hospitalization benefits ● Paid sick leave/menstrual leave for female staff: 5 days per year ● Staff dormitory Application ● Maternal health protection: Please refer to our Sustainability Report - Occupational Safety and Health Promotion for details

2. Continuing education and training

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

In addition to offering face-to-face interactive physical courses, to enhance the learning experience of supervisors and colleagues and enable them to enrich themselves anytime and anywhere using fragmented time, our company completed the launch of a brand-new online learning platform (ilearn) in the 2022 fiscal year. The platform provides online, offline, and blended learning modules, allowing employees to flexibly arrange their learning progress during their spare time. Course topics include research and engineering professional skills, quality and environmental safety, information security, leadership management, and work efficiency for colleagues to study independently. For new employees and R&D units, we have developed comprehensive professional blueprints and competency development strategies to cultivate key talents needed and establish a perfect talent echelon.

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

teams to demonstrate outstanding performance results, thereby strengthening team cohesion and innovation capabilities.

(1) New employee training

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

(2) Professional skills training

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

(3) Management competency training

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

(4) Statutory Training

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

3. Employee retirement system and its implementation

Starting July 1, 2005, all employees voluntarily choose to apply the new labor retirement system, and the Company will contribute 6% of their monthly salary to the employees' personal pension accounts. The Company also makes voluntary contributions to the employees' individual pension accounts. For the year ended December 31, 2022, the pension cost under the defined contribution pension plan was \$42,245 thousand.

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

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

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

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

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

6. Information Security Management

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

1. Cyber security risk management framework

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

2. Cyber security policies

Security Aspects	Security Controls	Related Operations	Verification
External Defense	Network Security Management	<ul style="list-style-type: none"> ● Set up firewall partitions for internal, external, and DMZ networks ● Periodically review/adjust firewall policies ● Control internal and external web management access behavior and control (IPS, URL filter, sandbox) ● Remote connection HIP detection, 2FA identity verification 	Strengthen the security of internal and external network access
	Computer Virus Protection	Complete protection mechanism from gateway to endpoint: <ul style="list-style-type: none"> ● Mailspam for mail filtering/virus scanning ● Server/computer regular vulnerability check and system update operation ● Virus protection and malware monitoring 	Strengthen internal information environment and service security
Internal Control	Data protection and system/application access control	Conduct the following controls: <ul style="list-style-type: none"> ● Internal Data Access Control ● Internal data transfer/transmission control ● Personnel account authority management and audit ● Account privilege review and adjustment 	Ensure internal data protection mechanism and real-time alerts
	Information Record Protection	Build SOC & DLP system for the following control: <ul style="list-style-type: none"> ● Internal and external system access control/logging ● Operation behavior control/tracking record ● Abnormal event control/record/alarm ● Protect and save related records 	Ensure the validity of records and the ability to verify and comply with regulations
	Internal Network Control	IPAM system for internal network access control	Prevent access to external devices for internal access
	Information Security Incident Management	Information Security Incident Notification and Response Process	Enhance information security incident handling procedures
Information Security	Information Security Policy	Regular review, formulation, approval and publication of information security policies by management	Confirm the applicability and effectiveness of information security policies and review for improvement
	Education and Training	Enhance employee information security literacy through education and training, E-learning, and information security promotion	Enhance the information security literacy of colleagues

3. Information Security Management

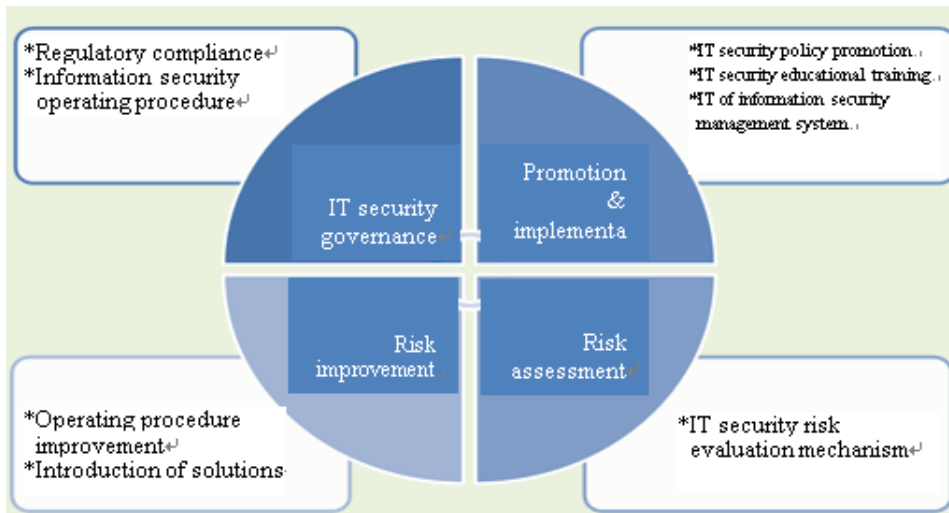
To enhance information security governance and ensure the continuity of operations, the company

continues to invest in relevant software, hardware equipment, and cybersecurity control mechanisms. There were no incidents of customer privacy violations, information theft, leaks, loss, or related complaints in 2021-2022.

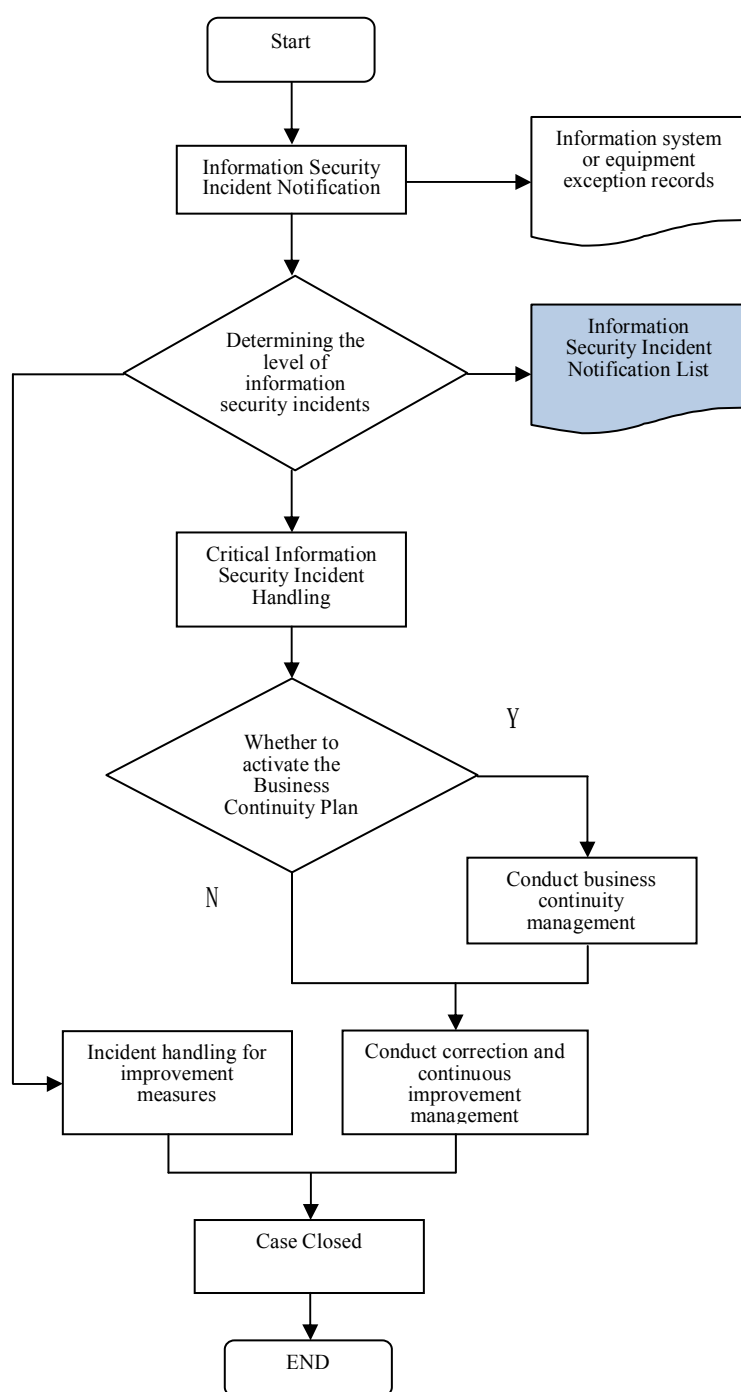
Major Issues	IOT/OT attack, MFA, Zero Trust
Policy	Diversify and strengthen information security protection mechanism to ensure continuous operation
Objective	Implemented ISO/IEC 27001:2013 Information Security Management System (ISMS) certification Build private SOC (Security Operation Center) Remote connection zero trust (HIP) & 2FA authentication
Evaluation Indicator	Based on ISO/IEC 27001:2013 Information Security Management System (ISMS) as an assessment indicator
Performance	<ul style="list-style-type: none"> ● The second half of 2021 will be completed with the introduction of IPAM management mechanism to strengthen the control of internal network access. ● Complete the introduction of 2FA and HIP detection mechanisms to enhance remote connection security in the first half of 2022, and build a SOC platform to strengthen the information security management mechanism. ● Build SOC for event collection, event trajectory tracking, event analysis and active alarming. ● Start the ISMS implementation project (ISO/IEC 27001:2013) in August 2022, and the information security management unit will be responsible for reviewing, formulating and promoting information security policies.

With the rapid advancement of technology, mobile devices, Internet of Things, cloud services, telecommuting and other related infrastructures are being widely used, thereby posing an increasing risk to information security in a broader context. Fitipower Technology, by upholding the PDCA (Plan-Do-Check-Act) cyclic management principle, has established an all-inclusive information security risk assessment and a thorough management system accordingly to ensure the achievement of objectives and ongoing improvements, with its management focus centered on the following three major areas: (1) External defense: hacker attack defense, virus threats; (2) Internal control: protection of Company intellectual property, business secrets, and strengthening of internal information security; and (3) cyber security literacy enhancement: information security awareness promotion, education and training, and cyber security drills.

Information security PDCA cycle management:



Cyber security incident handling procedures:



4. Investments in resources for cyber security management

The Company's 2022 information security implementation results:

Item	Results
Import HIP detection 2FA Identity Verification SOC & DLP Detection	<ul style="list-style-type: none"> ● Remote connection device identification check to ensure connection security ● Remote connection identity verification check to ensure identity identification ● Ensure system, network, and operation record traces and anomaly alerts
Advocacy	Announcement of important and real-time information security

	messages to convey important regulations and cautions for information protection and information security.
Education & Training	<ul style="list-style-type: none"> ● Social engineering-phishing exercise, a total of 100 employees conducted social engineering explanation, attack techniques, prevention methods and other educational training courses, and all passed the post-course test. ● E-Learning - Information Security Awareness Training, all employees completed the training. ● ISO27001 education and training, information department staff completed the training.
ISO27001 Introduction	ISO27001 was introduced to strengthen the management of information security control.

2) List any losses suffered by the Company due to significant cyber security incidents in the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

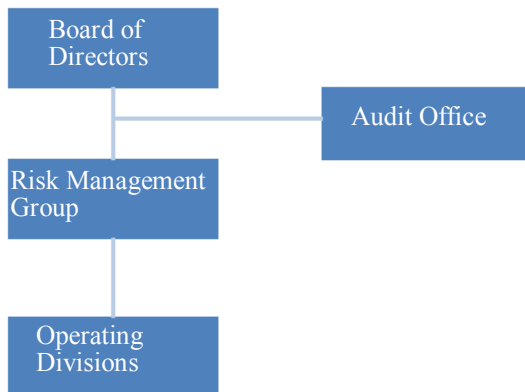
7. Risk Management

1) Risk management policies and procedures

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

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

2) Risk management framework and operations



Each of the Company's operating divisions is required to identify possible sources of risk in its operations, compile past experience to predict possible future risks, categorize the identified risks and regularly control and report the risk identification results, as well as incorporate internal audit and control functions to ensure that operational risks are under effective control.

The Company's assessment of potential risks in 2022 included corporate governance, environmental and social issues affecting its operations, and it has developed a strategy to address them, which was presented by the risk management group at the 11th meeting of the 8th board of directors.

8. Material Contracts: None.

VI. Financial Information

1. Condensed Balance Sheet and Comprehensive Income Statement of the Latest Five Fiscal Years

(1) Condensed Balance Sheet

1. Consolidated financial reporting

Unit: NT\$ thousands

Year		Financial information for the last five years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		5,896,776	5,213,291	8,500,081	21,522,649	21,818,371
Property, plant and equipment		93,578	245,025	332,385	664,800	1,054,976
Intangible assets		199,277	211,635	236,358	247,101	83,883
Other Assets		247,944	251,470	200,860	1,857,992	2,498,227
Total assets		6,437,575	5,921,421	9,269,684	24,292,542	25,455,457
Current liabilities	Before distribution	2,680,583	1,907,701	2,827,778	6,704,717	4,065,787
	After distribution	2,468,892	1,742,390	2,412,257	3,539,720	(Note 2)
Non-current liabilities		108,116	150,164	165,757	203,310	246,161
Total liabilities	Before distribution	2,788,699	2,057,865	2,993,535	6,908,027	4,311,948
	After distribution	2,577,008	1,892,554	2,578,014	3,743,030	(Note 2)
Equity attributable to owners of the parent company		3,648,876	3,863,556	5,316,161	15,845,595	17,394,713
Share Capital		1,628,606	1,656,875	1,665,880	1,865,453	1,865,453
Capital reserve		1,073,138	1,148,297	2,064,369	6,986,324	8,615,095
Retained Surplus	Before distribution	1,013,251	1,110,016	1,610,286	7,047,009	6,952,318
	After distribution	801,560	944,705	1,194,765	3,882,012	(Note 2)
Other Equity		(66,119)	(51,632)	(14,925)	(43,782)	(28,704)
Treasury stock		-	-	(9,449)	(9,449)	(9,449)
Non-controlling interests		-	-	959,988	1,538,920	3,748,796
Total equity	Before distribution	3,648,876	3,863,556	6,276,149	17,384,515	21,143,509
	After distribution	3,437,185	3,698,245	5,860,628	14,219,518	(Note 2)

Note 1: The financial information for 2018 to 2022 has been audited and certified by an accountant.

Note 2: The proposed distribution of earnings for 2022 has not yet been approved by the shareholders at the Annual General Meeting.

2. Parent Company Only financial reporting

Unit: NT\$ thousands

Year		Financial information for the last five years (Note 1)				
		2018	2019	2020	2021	2022
Item						
Current assets		5,201,840	4,109,231	5,706,168	17,625,379	14,043,091
Investments accounted for using the equity method		354,162	411,796	1,568,705	2,394,718	4,888,392
Property, plant and equipment		28,622	131,258	163,252	312,043	556,554
Intangible assets		190,267	207,379	201,997	195,559	49,062
Other Assets		187,632	210,186	123,835	1,243,904	1,079,372
Total assets		5,962,523	5,069,850	7,763,957	21,771,603	20,616,471
Current liabilities	Before distribution	2,290,499	1,139,419	2,320,234	5,770,660	3,127,239
	After distribution	2,078,808	974,108	1,904,713	2,605,663	(Note 2)
Non-current liabilities		23,148	66,875	127,562	155,348	94,519
Total liabilities	Before distribution	2,313,647	1,206,294	2,447,796	5,926,008	3,221,758
	After distribution	2,101,956	1,040,983	2,032,275	2,761,011	(Note 2)
Share Capital		1,628,606	1,656,875	1,665,880	1,865,453	1,865,453
Capital reserve		1,073,138	1,148,297	2,064,369	6,986,364	8,615,095
Retained Surplus	Before distribution	1,013,251	1,110,016	1,610,286	7,047,009	6,952,318
	After distribution	801,560	944,705	1,194,765	3,882,012	(Note 2)
Other Equity		(66,119)	(51,632)	(14,925)	(43,782)	(28,704)
Treasury stock		-	-	(9,449)	(9,449)	(9,449)
Total equity	Before distribution	3,648,876	3,863,556	5,316,161	15,845,595	17,394,713
	After distribution	3,437,185	3,698,245	4,900,640	12,680,598	(Note 2)

Note 1: The financial information for 2018 to 2022 has been audited and certified by the accountants.

Note 2: The proposed distribution of earnings for 2022 has not yet been approved by the shareholders at the Annual General Meeting.

(2) Condensed Consolidated Profit and Loss Account

1. Consolidated financial reporting

Unit : NT\$ thousands

Item \ Year	Financial information for the last five years (Note 1)				
	2018	2019	2020	2021	2022
Operating Income	8,852,376	9,166,293	10,879,700	22,868,238	19,680,425
Gross profit	1,782,213	1,825,732	2,381,176	10,663,977	7,145,025
Operating Profit and Loss	444,054	353,341	793,248	7,717,117	3,868,820
Non-operating income and expenses	(14,888)	8,832	43,092	69,433	87,587
Net Income before Tax	429,166	362,173	836,340	7,786,550	3,956,407
Net profit for the period from continuing operations	347,605	308,456	731,828	6,389,635	3,269,185
Loss of closed units	-	-	-	-	-
Net income (loss) for the period	347,605	308,456	731,828	6,389,635	3,269,185
Other comprehensive income or loss for the period (Net after tax)	(4,375)	(18,649)	22,053	10,950	163,932
Total consolidated profit or loss for the period	343,230	289,807	753,881	6,400,585	3,433,117
Net profit attributable to owners of the parent company	346,074	308,456	665,581	5,852,244	3,070,306
Net income attributable to noncontrolling interests	1,531	-	66,247	537,391	198,879
Total consolidated profit or loss attributable to owners of the parent	351,699	308,456	676,795	5,821,653	3,085,384
Total comprehensive income or loss attributable to non-controlling interests	1,531	-	77,086	578,932	347,733
EPS (dollar)	2.43	1.92	4.07	33.83	16.49

Note: The financial information for 2018 to 2022 has been audited and certified by the accountants.

2. Condensed parent company only consolidated income statement

Unit : NT\$ thousands

Year Item	Financial information for the last five years (Note 1)				
	2018	2019	2020	2021	2022
Operating Income	7,624,137	7,658,431	8,466,774	18,032,483	14,405,751
Gross profit	1,530,825	1,472,923	1,709,471	8,193,944	5,747,223
Operating Profit and Loss	453,020	309,623	579,486	6,162,284	3,537,963
Non-operating income and expenses	(24,615)	36,454	157,466	833,898	213,910
Net Income before Tax	428,405	346,077	736,952	6,996,182	3,751,873
Net profit for the period from continuing operations	346,074	308,456	665,581	5,852,244	3,070,306
Loss of closed units	-	-	-	-	-
Net income (loss) for the period	346,074	308,456	665,581	5,852,244	3,070,306
Other comprehensive income or loss for the period	(4,375)	(18,649)	11,214	(30,591)	15,078
Total consolidated profit or loss for the period (Net after tax)	341,699	289,807	676,795	5,821,653	3,085,384
EPS (dollar)	2.43	1.92	4.07	33.83	16.49

Note: The financial information for the years 2018 to 2022 has been audited and certified by the accountants.

(3) CPA Audit Status

Year	Firm	CPA	Opinion
2018	KPMG Taiwan	CHOU, PAO-LIEN MEI, YUAN-CHEN	Unqualified opinion
2019	KPMG Taiwan	CHOU, PAO-LIEN MEI, YUAN-CHEN	Unqualified opinion
2020	KPMG Taiwan	CHOU, PAO-LIEN MEI, YUAN-CHEN	Unqualified opinion
2021	KPMG Taiwan	CHOU, PAO-LIEN MEI, YUAN-CHEN	Unqualified opinion
2022	KPMG Taiwan	CHOU, PAO-LIEN MEI, YUAN-CHEN	Unqualified opinion

2. Financial Analysis over the Past Five Fiscal Years

(1) Consolidated financial analysis

Year Item		Financial information for the last five years				
		2018	2019	2020	2021	2022
Financial Structure (%)	Debt to assets ratio	43.32	34.75	32.29	28.44	16.94
	Long-term capital to property, plant and equipment ratio	4,014.82	1,638.09	1,649.27	2,414.10	1,672.16
Solvency (%)	Mobility Ratio	219.98	273.28	300.59	321.01	536.63
	Quick Ratio	146.11	195.00	248.80	270.56	473.80
	Interest cover multiplier	1,784.39	1,437.57	11,651.66	63,374.42	17,059.18
Operating Capabilities	Receivables turnover rate (times)	4.05	3.86	5.49	6.81	5.12
	Average number of days of receipt	90	95	66	54	71
	Inventory turnover rate (times)	3.57	4.08	5.42	4.90	4.10
	Turnover rate of accounts payable (times)	4.59	5.65	5.16	4.32	4.71
	Average number of sales days	102	89	67	74	89
	Property, plant and equipment turnover rate (times)	91.31	54.14	37.68	45.87	22.89
	Total Asset Turnover (Times)	1.48	1.48	1.43	1.36	0.79
Profitability	Return on Assets (%)	6.16	5.34	9.71	38.14	13.22
	Return on Equity (%)	11.09	8.21	15.94	60.39	19.67
	Net income before income tax to paid-in capital (%)	26.35	21.86	50.20	417.41	212.09
	Net profit rate (%)	3.93	3.37	6.73	27.94	16.61
	Earnings per share (NT\$)	2.43	1.92	4.07	33.83	16.49
Cash Flow	Cash flow ratio (%)	(Note 2)	38.17	101.02	60.14	138.64
	Cash flow fair ratio (%)	13.93	46.73	160.00	168.39	168.59
	Cash reinvestment ratio (%)	(Note 2)	13.25	41.74	20.42	11.24
Leverage	Operating leverage	1.07	1.29	1.23	1.03	1.10
	Financial leverage	1.06	1.08	1.01	1.00	1.01

Recent changes in financial ratios over the past two years (if the increase/decrease is less than 20%, analysis may be omitted):

1. Debt to Asset Ratio: Mainly due to decreased purchases this year, which led to a decrease in accounts payable and reduced external borrowing, resulting in a decreased ratio.
2. Long-term Funds to Fixed Assets, Plant and Equipment Ratio: Mainly due to an increase in the acquisition of fixed assets, plant, and equipment, leading to a decrease in the ratio.
3. Current Ratio and Quick Ratio: Mainly due to decreased purchases this year, which led to a decrease in accounts payable and reduced external borrowing, resulting in an increased ratio.
4. Interest Coverage Ratio: Mainly due to a decrease in market demand, causing a decline in revenue and profit, resulting in a decreased ratio.
5. Accounts Receivable Turnover Ratio and Average Collection Period: In 2021, panel driver IC supplies were tight, causing some customers to make advance payments, resulting in a decrease in the year-end accounts receivable. This did not occur in 2022, leading to a decrease in the ratio and an increase in the collection days.
6. Fixed Assets, Plant, and Equipment Turnover Ratio and Total Asset Turnover Ratio: Mainly due to a decrease in market demand, causing a decline in revenue, and an increase in the acquisition of fixed assets, plant, and equipment, leading to a decrease in the ratio.
7. Profitability Ratios: Mainly due to a decrease in market demand, causing a decline in revenue and profit, resulting in a decreased ratio.
8. Cash Flow Ratio: Mainly due to decreased purchases, which led to a decrease in accounts payable, resulting in an increased ratio.
9. Cash Reinvestment Ratio: Mainly due to an increase in the acquisition of fixed assets, plant, and equipment, leading to a decrease in the ratio.

Note 1: The financial information for 2018 to 2022 was audited and certified by the accountants.

Note 2: Net cash flow from operating activities is negative and is excluded from the calculation.

(2) Parent company only financial analysis

Year Item		Financial information for the last five years				
		2018	2019	2020	2021	2022
Financial Structure (%)	Debt to assets ratio	38.8	23.79	31.53	27.22	15.63
	Long-term capital to property, plant and equipment ratio	12,829.38	2,994.43	3,334.55	5,127.80	3,142.41
Solvency (%)	Mobility Ratio	227.11	360.64	245.93	305.43	449.06
	Quick Ratio	160.28	256.70	193.58	259.15	389.17
	Interest cover multiplier	2,036.64	2,159.12	25,644.26	63,060.60	30,992.33
Operating Capabilities	Receivables turnover rate (times)	3.44	3.41	4.84	5.76	3.97
	Average number of days of receipt	106	107	75	63	92
	Inventory turnover rate (times)	3.6	4.36	5.20	4.86	3.70
	Turnover rate of accounts payable (times)	4.32	5.51	4.90	3.99	3.90
	Average number of sales days	101	84	70	75	99
	Property, plant and equipment turnover rate (times)	272.07	95.80	57.50	75.88	33.17
	Total Asset Turnover (Times)	1.37	1.39	1.32	1.22	0.68
Profitability	Return on Assets (%)	6.52	5.84	10.41	39.69	14.53
	Return on Equity (%)	11.02	8.21	14.50	55.31	18.47
	Net income before income tax to paid-in capital (%)	26.31	20.89	44.24	375.04	201.12
	Net profit rate (%)	4.54	4.03	7.86	32.45	21.31

	Earnings per share (NT\$)	2.43	1.92	4.07	33.83	16.49
Cash Flow	Cash flow ratio (%)	5.38	61.25	101.93	51.95	151.83
	Cash flow fair ratio (%)	50.34	85.31	178.43	181.08	150.21
	Cash reinvestment ratio (%)	1.46	12.75	40.56	16.09	8.86
Leverage	Operating leverage	1.04	1.22	1.21	1.02	1.06
	Financial leverage	1.05	1.06	1.01	1.00	1.00

Recent changes in financial ratios over the past two years (if the increase/decrease is less than 20%, analysis may be omitted):

1. Debt to Asset Ratio: Mainly due to decreased purchases this year, which led to a decrease in accounts payable and reduced external borrowing.
2. Long-term Funds to Fixed Assets, Plant and Equipment Ratio: Mainly due to an increase in the acquisition of fixed assets, plant, and equipment, leading to a decrease in the ratio.
3. Current Ratio and Quick Ratio: Mainly due to decreased purchases this year, which led to a decrease in accounts payable and reduced external borrowing, resulting in an increased ratio.
4. Interest Coverage Ratio: Mainly due to a decrease in market demand, causing a decline in revenue and profit, resulting in a decreased ratio.
5. Accounts Receivable Turnover Ratio and Average Collection Days: Due to the tight supply of panel driver ics in 2021, some customers made advance payments, resulting in a decrease in accounts receivable at the end of the period. In 2022, there was no such situation, causing the ratio to decrease and collection days to increase.
6. Inventory Turnover Ratio and Average Sales Days: The main reason is the decrease in market demand and the decrease in purchases this year, causing the ratio to decrease and sales days to increase.
7. Turnover Ratios of Fixed Assets, Plant, and Equipment, and Total Assets: The main reason is the decrease in market demand, the decline in revenue, and the increase in the purchase of fixed assets, plants, and equipment during this period, causing the ratio to decrease.
8. Profitability Financial Ratios: The main reason is the decrease in market demand, revenue, and profit, causing the ratio to decrease.
9. Cash Flow Ratio: The main reason is the decrease in purchases and the corresponding decrease in accounts payable, causing the ratio to increase.
10. Cash Reinvestment Ratio: The main reason is the increase in the purchase of fixed assets, plant, and equipment during this period, causing the ratio to decrease.

Note 1: The Company's financial information for 2018 to 2022 was audited and certified by the accountants.

Note 2: Net cash flow from operating activities was negative and was excluded from the calculation.

Note 3: The calculation formula is as follows.

1. Financial Structure
 - (1) Debt to asset ratio = Total liabilities / Total assets.
 - (2) Long-term capital to property, plant and equipment = (Total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
 - (1) Current ratio = Current assets / Current liabilities.
 - (2) Quick ratio = (current assets - inventories - prepaid expenses) / current liabilities.
 - (3) Interest coverage = Net income before income tax and interest expense / Interest expense for the period.
3. Management capability
 - (1) Turnover rate of accounts receivable (including accounts receivable and notes receivable arising from operations) = net sales / average balance of accounts receivable (including accounts receivable and notes receivable arising from operations) for each period.
 - (2) Average collection days = 365/receivable turnover rate.
 - (3) Inventory turnover rate = Cost of goods sold / average inventory amount.
 - (4) Turnover rate of accounts payable (including accounts payable and notes payable arising from operations) = cost of goods sold / average balance of accounts payable (including accounts payable and notes payable arising from operations) for each period.
 - (5) Average sales days = 365 / Inventory turnover rate.
 - (6) Turnover rate of property, plant and equipment = net sales / average net property, plant and equipment.
 - (7) Total Asset Turnover = Net Sales / Average Total Assets.
4. Profitability
 - (1) Return on assets = [Profit and loss after tax + interest expense × (1 - tax rate)] / average total assets.
 - (2) Return on equity = Profit or loss after tax / average total equity.
 - (3) Net profit margin = profit or loss after tax / net sales.
 - (4) Earnings per share = (Profit or loss attributable to owners of the parent company - preferred stock dividends) / weighted-average number of shares outstanding.
5. Cash flow
 - (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities.
 - (2) Net cash flow fair ratio = Net cash flow from operating activities for the last five years / (capital expenditures + increase in inventories + cash dividends) for the last five years.
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other noncurrent assets + working capital).
6. Leverage.
 - (1) Operating leverage = (net operating revenues - variable operating costs and expenses) / operating income.
 - (2) Financial leverage = Operating income / (Operating income - interest expense).

- 3. Audit Committee's Review for Annual Financial Report throughout the Preceding Year:** Please refer to Page 80 of this annual report.
- 4. Consolidated Financial Statements in The Preceding Year, and Independent Auditorsnt Yearp:** Please refer to Page 90~150 of this annual report.
- 5.Parent Company only Financial Statements in the Preceding Year, and Independent Auditors' Report :** Please refer to Page 151~211 of this annual report.
- 6. The Impact on the Company's Financial Status in Case the Company or its Affiliates Face Financial Insolvency:** None.

Fitipower Integrated Technology Inc.

Audit Committee Review Report

The Board of Directors prepared the financial statements for the year ended December 31, 2022, which were audited by cpas at KPMG Taiwan. The cpas issued an audit report without qualified opinion. After examining the abovementioned financial statements, business report and proposal for distribution of earnings, the Audit Committee found no discrepancy and issued a report in accordance with the Securities and Exchange Act and the Company Act.

2023 Annual Shareholders' Meeting, Fitipower Integrated Technology Inc.

Audit Committee

Convener: CHEN, BI-FENG



APR. 20, 2023

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

1. Analysis of Financial Status

Unit : NT\$ thousands ; %

Item \ Year	2022.12.31	2021.12.31	Difference	
			Amount	%
Current Assets	21,818,371	21,522,649	295,722	1.37
Property, plant and equipment	1,054,976	664,800	390,176	58.69
Right-of-use assets	40,835	81,543	(40,708)	(49.92)
Intangible assets	83,883	247,101	(163,218)	(66.05)
Other Assets	2,457,392	1,776,449	680,943	38.33
Total Assets	25,455,457	24,292,542	1,162,915	4.79
Current liabilities	4,065,787	6,704,717	(2,638,930)	(39.36)
Non-current liabilities	246,161	203,310	42,851	21.08
Total liabilities	4,311,948	6,908,027	(2,596,079)	(37.58)
Share capital	1,865,453	1,865,453	-	-
Capital surplus	8,615,095	6,986,364	1,628,731	23.31
Retained earnings	6,952,318	7,047,009	(94,691)	(1.34)
Other equity	(28,704)	(43,782)	15,078	(34.44)
Treasury stock	(9,449)	(9,449)	-	-
Non-controlling interests	3,748,796	1,538,920	2,209,876	143.60
Total equity	21,143,509	17,384,515	3,758,994	21.62

(1) Changes in proportion analysis explanation (changes reaching 20% or more and the amount of change reaching 10 million or more):

1. Increase in real estate, plant and equipment: Mainly due to the increase in instruments and machinery equipment.
2. Decrease in right-of-use assets: Mainly due to the expiration of lease contracts and the removal of right-of-use assets from accounts.
3. Decrease in intangible assets: Mainly due to the impairment of goodwill.
4. Increase in other assets: Mainly due to the increase in security deposits.
5. Decrease in current liabilities: Mainly due to the decrease in purchases this year, resulting in a relative decrease in payable amounts.
6. Increase in non-current liabilities: Mainly due to the increase in deferred tax liabilities.
7. Increase in capital reserve: Mainly due to the increase in the difference between the actual acquisition or disposal price of a subsidiary's shares and their book value.
8. Increase in other equity: Mainly due to the increase in exchange rate differences from the conversion of financial statements of foreign operating entities.
9. Increase in non-controlling interests: Mainly due to the cash capital increase of subsidiaries.

(2) If the above changes have a significant impact, explain the future response plan: The above differences are part of normal business activities and have no significant impact on the financial condition.

2. Analysis of Financial Performance

Unit : NT\$ thousands

Item \ Year	2022	2021	Amount of increase or decrease	Variation (%)
Operating Income	19,680,425	22,868,238	(3,187,813)	(13.94)
Operating Costs	12,535,400	12,204,261	331,139	2.71
Gross profit	7,145,025	10,663,977	(3,518,952)	(33.00)
Operating Expenses	3,276,205	2,946,860	329,345	11.18
Net profit	3,868,820	7,717,117	(3,848,297)	(49.87)
Non-operating income and expenses	87,587	69,433	18,154	26.15
Net profit before tax	3,956,407	7,786,550	(3,830,143)	(49.19)
Less: Income tax expense	687,222	1,396,915	(709,693)	(50.80)
Net profit for the period	3,269,185	6,389,635	(3,120,450)	(48.84)
Other comprehensive income (net of tax)	163,932	10,950	152,982	1,397.10
Total comprehensive income or loss for the period	3,433,117	6,400,585	(2,967,468)	(46.36)
<p>(1) Changes in proportion analysis explanation (changes reaching 20% or more and the amount of change reaching 10 million or more):</p> <ol style="list-style-type: none"> 1. Gross profit, operating net profit, pre-tax net profit, net profit for the period, and total comprehensive income for the period: Mainly due to the decrease in market demand, resulting in a decline in revenue and profit, leading to a decrease in gross profit and net profit. 2. Non-operating income and expenses: Mainly due to an increase in interest income. 3. Income tax expenses: Mainly due to the decrease in market demand, resulting in a decline in revenue and profit, leading to a decrease in income tax expenses. 4. Other comprehensive income: Mainly due to the increase in exchange rate differences from the conversion of financial statements of foreign operating entities, leading to an increase in other comprehensive income. <p>(2) Expected sales volume and its basis, possible impact on the Company's future financial operations and contingency plans</p> <p>Based on the current customer progress, industry profile and market size growth, the Company expects to maintain a steady growth in sales volume in the coming year compared to the previous year. This will have a positive impact on the Company's future financial operations. In addition, the Company will continue to invest in research and development resources to maintain technological leadership, and continue to improve product quality and technology, satisfy customers and maintain a good relationship with suppliers, so that the products are more forward-looking and have a competitive cost advantage, which will help the Company to increase revenue and profitability in the future. This will help the Company to increase its revenue and profitability in the future.</p>				

3. Cash Flow Analysis

(1) Analysis of recent annual cash flow movements

Item	Year	2021	2022	Variation (%)
	Cash flow ratio (%)		60.14	138.64
Cash flow allowance ratio (%)		168.39	168.59	0.12
Cash reinvestment ratio (%)		20.42	11.24	(44.96)
Changes in proportion analysis:				
1. Cash flow ratio: Mainly due to the decrease in purchases this period, leading to a relative decrease in payables, resulting in a higher ratio.				
2. Cash reinvestment ratio: Mainly due to the increase in the acquisition of real estate, plant, and equipment during this period, resulting in a lower ratio.				

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

(3) Cash flow analysis for the coming year

Unit: NT\$ thousands

Initial cash balance at the beginning of the period A	Estimated full year net cash flow from operating activities B	Projected annual cash outflow C	Estimated surplus (shortfall) of casha + B + C	Remedial measures for cash shortfall	
				Investment Plan	Financial Planning
6,758,946	3,151,681	(2,870,443)	7,040,184	-	10,000
Cash flow changes analysis:					
1. Operating activities: It is expected that the business scale will continue to expand, and profits will grow simultaneously, resulting in net cash inflows.					
2. Investing activities: Mainly due to the anticipated increase in capital expenditures, such as equipment purchases and long-term equity investments, resulting in net cash outflows.					
3. Financing activities: Mainly due to debt repayment, cash dividend distribution, and cash capital reduction, resulting in net cash outflows.					

4. Financial and Operational Impact of Major Capital Expenditure : None.

5. Investment Policy in the Preceding Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Upcoming Year

The Company's reinvestments is for long-term strategic purposes. The Company's investment income under the equity method amounted to NT\$230,620 thousand in 2022. In the future, the Company will continue to carefully evaluate its investment plans based on the principle of long-term strategic investment.

6. Risk Matters and Assessment

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

1. Effect of changes in interest rates

The Company's interest expense for 2022 was \$23,329 thousand, accounting for only 0.12% of operating income for the year. The Company maintains interactions with banks to obtain more favorable interest rates and will adjust the use of funds in accordance with changes in financial interest rates in order to reduce the impact of changes in interest rates on the Company's profit and loss.

2. Effect of exchange rate changes

The company's exchange gain in 2022 was 319,857 thousand dollars. The company's main purchase and sales transactions are denominated in US dollars, exposing it to exchange rate risks arising from non-functional currency-denominated sales and procurement transactions. The natural hedging strategy is adopted, and when the net balance of assets and liabilities denominated in the same currency is short-term unbalanced, the company ensures that the net exposure remains at an acceptable level by obtaining or repaying foreign currency loans.

3. Effect of Inflation

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

(2) Policies on engaging in high-risk, highly leveraged investments, lending of funds to others, endorsement of

guarantees and derivative transactions, the main reasons for profits or losses and the response of the Company

- (1) The Company does not engage in high-risk, highly leveraged investments based on a conservative business philosophy.
- (2) The Company has established the "Procedures for Lending and Endorsement of Funds" and "Procedures for the Acquisition or Disposal of Assets" as the basis for the Company and its subsidiaries to follow. As of the date of the annual report, the Company has not lent any funds to others except for endorsement of guarantees for operational needs of the Company.

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

1. Future Research and Development Plans

(1) Display driver IC

- A. Innovative smart charge recovery control technology for energy-saving drive IC
- B. 8-bit 2886ch built-in timing control panel drive IC
- C. 6/8-bit high-speed interface /IC with Level Shift(16 phase GOA)
- D. Innovative multi-chip IC synchronous testing technology drive IC
- E. Mini LED backlight driver IC
- G. P2P 3.5Gpbs panel driver IC

(2) Power Management IC

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

(3) Other related semiconductors

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

2. Estimated Investment in Research and Development

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

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

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

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

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

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

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

Since its establishment, the Company has complied with relevant laws and regulations, actively

- strengthened internal management and improved management quality and performance, while maintaining harmonious labour relations in order to continuously maintain an excellent corporate image. As at the date of publication of the annual report, there were no matters affecting the corporate image.
- (7) Expected benefits, possible risks and responses to mergers and acquisitions.
As at the date of printing of the annual report, the Company did not have any merger and acquisition plans.
- (8) Expected benefits, possible risks and contingency measures for plant expansion.
As at the date of the annual report, the Company had no plans to expand its plant.
- (9) Risks of concentration of imports or sales and the response of the Company
1. Risk of concentration of imports
The Company actively establishes long-term cooperative relationships with various oems, keeps a close contact with them and maintains close contact with them at all times to monitor the production status.
 2. Risk of concentration of sales
The company's sales target changes are mainly due to the changes in end-customer demand, product market changes, product application field development, customer procurement strategies, and other factors. The company will continue to actively explore new markets and new customers to reduce the proportion of shipments from a single customer. In 2022, only three customers accounted for more than 10% of total sales. Overall, the company has no significant risk of sales concentration.
- (10) Impact, risk and response to the substantial shift or change in shareholding of directors or substantial shareholders holding more than 10% of the shares of the Company
All transfers or replacements of shareholdings by directors or substantial shareholders holding more than 10% of the shares of the Company in the most recent year and up to the date of printing of the annual report have been reported in accordance with the pre-approval and post-approval requirements, and no material impact on the Company.
- (11) Impact of changes in operating rights on the Company, risks and the response of the Company
There has been no change in the Company's operating rights in the latest year and up to the date of printing of the annual report.
- (12) Litigation or non-litigation events
1. Significant litigation, non-litigation or administrative disputes that have been determined or are still pending as at the date of the latest annual report of the Company: None.
 2. Significant litigation, non-litigation or administrative proceedings that have been determined or are still pending against the Company's directors, general manager, beneficial owners, substantial shareholders holding more than 10% of the shares and subsidiaries, the outcome of which may have a material impact on shareholders' equity or securities prices: None.
- (13) Other significant risks and the response of the Company: None.

7. Other Important Matters: None.

VIII. SPECIAL DISCLOSURE

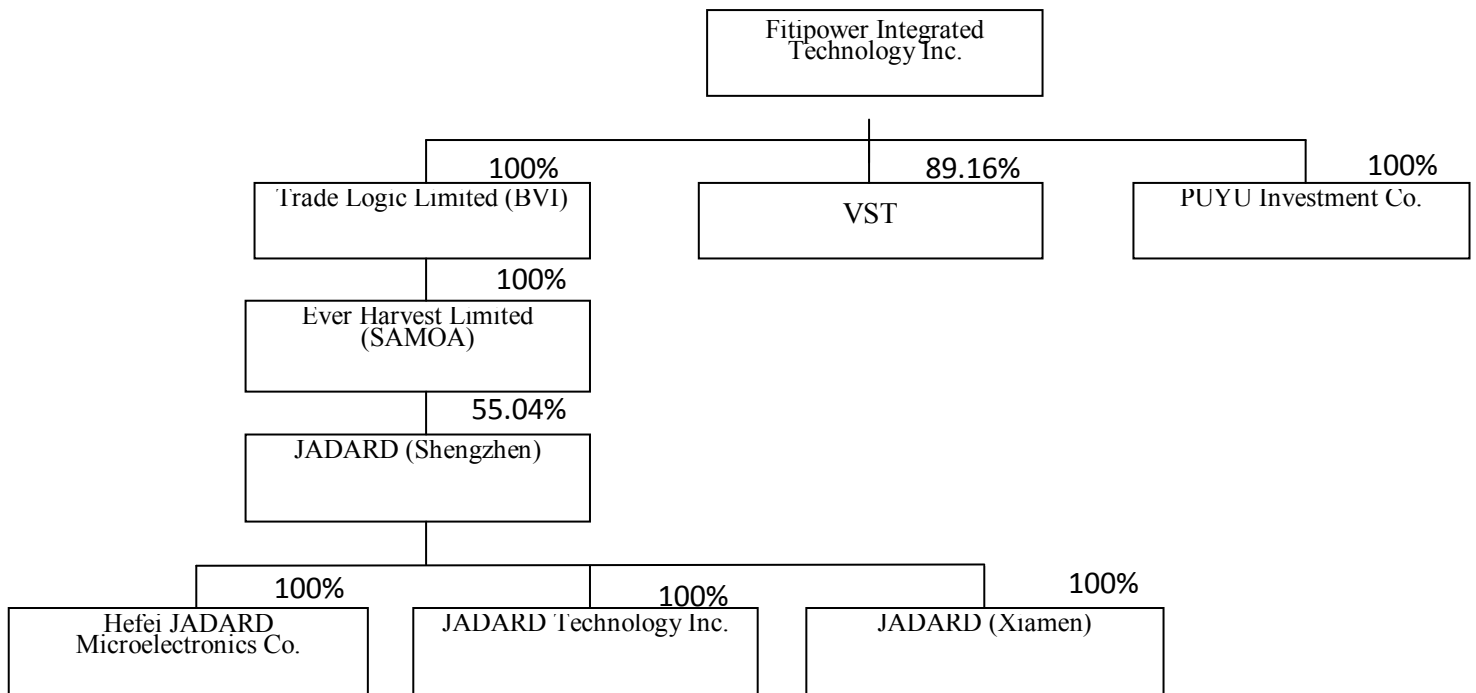
1. Summary of Affiliated Companies

(1) Report on Consolidated Operations of Affiliated Companies:

1. Overview

(1) Organizational Chart:

Dec. 31, 2022



2. Basic Information on Affiliates

Dec. 31, 2022

Name	Date of establishment	Location	Paid-in capital	Business
Trade Logic Limited	2010.05.28	British Virgin Islands	USD 10,000	General Investment
Ever Harvest Limited	2010.05.28	Samoa	USD 10,000	General Investment
JADARD (Shengzhen)	2010.11.03	Shenzhen Mainland China	RMB 405,556	IC Design
Hefei JADARD Microelectronics Co.	2017.07.11	Hefei Mainland China	RMB 50,000	Supply Chain Management
JADARD Technology Inc.	2017.03.09	Hong Kong	USD 9,200	General Trading
JADARD (Xiamen)	2021.08.05	Xiamen, Mainland China	RMB 1,000	Supply Chain Management
Visual Sensing Technology Co., Ltd.	2017.09.04	Hsinchu	TWD 257,970	IC Design
PUYU Investment Co.	2022.05.24	Taipei City	TWD 500,000	General Investment

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

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

Name	Business	Details
Trade Logic Limited	General Investment	NA
Ever Harvest Limited	General Investment	NA
JADARD (Shengzhen)	IC Design	R&D and sales of small size panel driver IC
Hefei JADARD Microelectronics Co.	Supply Chain Management	Small Size Panel Driver IC Outsourcing Centre
JADARD Technology Inc.	General Trading	Sales of small size panel driver ics
JADARD (Xiamen)	Supply Chain Management	Small Size Panel Driver IC Outsourcing Centre
Visual Sensing Technology Co., Ltd	IC Design	IC R&D and Sales
PUYU Investment Co.	General Investment	NA

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

Dec. 31, 2022

Name	Title	Rept.	Shareholding	
			Shares(thousand)	Ratio
Trade Logic Limited	Director	Fitipower Integrated Technology Inc.	30	100%
Ever Harvest Limited	Director	Fitipower Integrated Technology Inc.	10,000	100%

Name	Title	Rept.	Shareholding	
			Shares(thousand)	Ratio
JADARD (shenzhen)	Chairman / General Manager	KUO, YING-LIN	16,519	4.07%
	Director	MEI, TSON-YANG	1,408	0.35%
	Director	HSIEH, REI-CHANG	989	0.24%
	Director	SHI, CHIN	-	-
	Independent Director	CHENG, KUANG-TING	-	-
	Independent Director	HAN, JIEN-CHUN	-	-
	Independent Director	LEE, CHAN-XIA	-	-
	Supervisor	CHEN, PO-TSAN	-	-
	Supervisor	ZHENG, JIN	221	0.05%
	Supervisor	CHU, CHANG	134	0.03%
Hefei JADARD Microelectronics Co.	Chairperson	KUO, YING-LIN	-	-
	General Manager	HSIEH, RUI-CHANG	-	-
	Supervisor	DENG, LING-LING	-	-
JADARD Technology Inc.	Responsible person	KUO, YING-LIN	-	-
JADARD (Xiamen)	Chairperson/General Manager	HSIEH, RUI-CHANG	-	-
	Supervisor	DENG, LING-LING	-	-
Visual Sensing Technology Co., Ltd	Chairperson	Fitipower Integrated Technology Inc. Rept.:LIN, YUNG-CHIEH	23,000	89.16%
	Director	Fitipower Integrated Technology Inc. Rept.:CHIU, SHU-HUI	23,000	89.16%
	Director	Fitipower Integrated Technology Inc. Rept.:WU, CHI-YEN	23,000	89.16%
	Supervisor	CHEN, PO-CAN	-	-
PUYU Investment Co.	Chairperson	Fitipower Integrated Technology Inc. Rept.:LIN, YUNG-CHIEH	50,000	100%

(2) Overview of the operations of our affiliates

Dec. 31, 2022; Unit: NT\$ thousands

Name	Amount of capital	Total Assets	Total liabilities	Net value	Operating income	Business Benefits	Profit or loss for the period (After tax)	Earnings per share (\$)
Trade Logic Limited	302,296	4,280,162	-	4,280,162	-	-	313,647	NA
Ever Harvest Limited	302,296	4,280,162	-	4,280,162	-	-	313,647	NA
JADARD (Shengzhen) (note)	1,775,284	9,012,360	994,431	8,017,929	3,968,621	530,955	526,610	1.4
Hefei JADARD Microelectronics Co. (note)	224,523	572,297	191,822	380,475	2,432,792	13,730	4,533	NA
JADARD Technology Inc. (Note)	270,264	818,603	417,398	401,205	1,572,912	(142,672)	(134,208)	NA
JADARD (Xiamen)	4,344	3,518	1,544	1,974	-	(1,443)	(1,513)	NA
Visual Sensing Technology Co., Ltd	257,970	121,366	19,646	101,720	151	(91,799)	(91,212)	(5.6)
PUYU Investment Co.	500,000	501,972	100	501,872	-	(126)	1,872	-

Note: The foreign exchange rate adopted for the balance sheet items as of December 31, 2022: New Taiwan Dollar to Renminbi 4.408, New Taiwan Dollar to US Dollar 30.71; the average exchange rate for the 111th fiscal year: New Taiwan Dollar to Renminbi 4.376, New Taiwan Dollar to US Dollar 29.195.

2. Status of Private Placement Securities: None.

3. Holding or Disposal of the Company Stocks by the Subsidiaries: None.

4. Other Necessary Supplement : None.

5. Any Event That Had a Material Impact on the Shareholdersries in the Most Recent Years, 2022: New Taiwan Dollar to Renminbi 4.408, New Taiwan Dollar to US Dollar 30.71; the Act : None.

**Fitipower Integrated Technology Inc.
and Subsidiaries**

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

For the Years Ended December 31, 2022 and 2021

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

Independent Auditors' Report

To the Board of Directors of
Fitipower Integrated Technology Inc.

Opinion

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

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

Basic for Opinion

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

Key Audit Matter

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

1. Inventory valuation

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

Description of the key audit matter:

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

How the matter was addressed in our audit:

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

2. Revenue recognition

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

Description of the key audit matter:

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

How the matter was addressed in our audit:

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

Other matters

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

KPMG

Taipei, Taiwan (Republic of China)

February 23, 2023

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

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

Fitipower Integrated Technology Inc. and Subsidiaries

Consolidated Balance Sheet

As of December 31, 2022 and December 31, 2021

Unit: NT\$ thousands

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

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

Chairman: Lin, Yung-Chieh

Manager: Chiu, Shu-Hui

CAO: Chen, Po-Tsang

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

Fitipower Integrated Technology Inc. and Subsidiaries
Consolidated Statement of Comprehensive Income
For the years ended December 31, 2022 and 2021

Unit: NT\$ thousands

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

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

Chairman: Lin, Yung-Chieh

Manager: Chiu, Shu-Hui

CAO: Chen, Po-Tsang

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

Fitipower Integrated Technology Inc. and Subsidiaries

Consolidated Statement of Changes in Equity

For the years ended December 31, 2022 and 2021

Unit: NT\$ thousands

	Equity attributed to the owners of the parent company					Other equity items					
	Share capital for common stock	Capital surplus	Retained earnings		Undistributed retained earnings	Exchange difference on translation of foreign financial statements	Unearned compensation for employees	Treasury stock	Total equity attributable to owners of parent	Non-controlling interests	Total equity
			Legal reserve	Special reserve							
Balance at January 1, 2021	\$ 1,665,880	2,064,369	202,162	24,406	1,383,718	(13,191)	(1,734)	(9,449)	5,316,161	959,988	6,276,149
Net income in 2021	-	-	-	-	5,852,244	-	-	-	5,852,244	537,391	6,389,635
Other comprehensive income in 2021, net of income tax	-	-	-	-	-	(30,591)	-	-	(30,591)	41,541	10,950
Total comprehensive income in 2021	-	-	-	-	5,852,244	(30,591)	-	-	5,821,653	578,932	6,400,585
Appropriation of retained earnings:											
Legal reserve appropriated	-	-	66,558	-	(66,558)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(11,214)	11,214	-	-	-	-	-	-
Cash dividends of ordinary share	-	(28)	-	-	(415,521)	-	-	-	(415,549)	-	(415,549)
Issue of shares	200,000	4,900,000	-	-	-	-	-	-	5,100,000	-	5,100,000
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(4,265)	-	-	-	-	-	-	(4,265)	-	(4,265)
Compensation cost of share-based payment transactions	-	25,520	-	-	-	-	-	-	25,520	-	25,520
Compensation cost of restricted stock awards	-	341	-	-	-	-	1,734	-	2,075	-	2,075
Write-off of restricted stock awards	(427)	427	-	-	-	-	-	-	-	-	-
Balance at December 31, 2021	1,865,453	6,986,364	268,720	13,192	6,765,097	(43,782)	-	(9,449)	15,845,595	1,538,920	17,384,515
Net income in 2022	-	-	-	-	3,070,306	-	-	-	3,070,306	198,879	3,269,185
Other comprehensive income in 2022, net of income tax	-	-	-	-	-	15,078	-	-	15,078	148,854	163,932
Total comprehensive income in 2022	-	-	-	-	3,070,306	15,078	-	-	3,085,384	347,733	3,433,117
Appropriation of retained earnings:											
Legal reserve appropriated	-	-	585,225	-	(585,225)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	30,590	(30,590)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(3,164,997)	-	-	-	(3,164,997)	-	(3,164,997)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	1,628,731	-	-	-	-	-	-	1,628,731	(1,636,704)	(7,973)
Cash dividends of Non-controlling interests	-	-	-	-	-	-	-	-	-	3,498,847	3,498,847
Balance at December 31, 2022	\$ 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

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

Chairman: Lin, Yung-Chieh

Manager: Chiu, Shu-Hui

CAO: Chen, Po-Tsang

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

Fitipower Integrated Technology Inc. and Subsidiaries

Consolidated Statement of Cash Flows

For the years ended December 31, 2022 and 2021

Unit: NT\$ thousands

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Fitipower Integrated Technology Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Company history

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

2. Approval Date and Procedures of the Consolidated Financial Statements

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

3. Application of New and Amended Standards and Interpretations

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

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

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

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

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

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

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

Fitipower Integrated Technology Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

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

- Amendments to IFRS 10/IAS 28 – Sales or Contributions of Assets Between an Investor and Its Associate/Joint Venture
- IFRS 17 Insurance Contracts and Amendments to IFRS 17
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 - “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 - “Initial Application of IFRS 17 and IFRS 9 — Comparative Information”
- Amendments to IFRS 16 - “Lease Liability in a Sale and Leaseback”

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

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

(2) Preparation basis

a. Measurement basis

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

b. Functional and presentation currencies

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

(3) Consolidated basis

a. Principles for preparation of consolidated financial statements

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

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

Fitipower Integrated Technology Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

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

The subsidiaries included in these consolidated financial statements consist of:

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

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

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

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

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

(4) Foreign currency

a. Foreign currency transactions

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

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

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

b. Foreign operations

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

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

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

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

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

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

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

(6) Cash and cash equivalents:

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

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

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

(7) Financial instruments

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

a. Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through profit or loss (FVTPL)

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

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

3) Impairment of financial assets

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

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

Fitipower Integrated Technology Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Fitipower Integrated Technology Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

reorganization; or

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

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

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

4) Derecognition of financial assets

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

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

b. Financial liabilities and equity instruments

1) Classification of liabilities or equity

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

2) Equity instruments

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

3) Treasury stocks

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

4) Other financial liabilities

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

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

(8) Inventory

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

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

(9) Property, plant and equipment

a. Recognition and measurement

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

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

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

b. Subsequent costs

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

c. Depreciation

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

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each component.

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

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

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

(10) Lease

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

a. Lessees

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

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

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

Lease payments included in the measurement of lease liabilities comprise:

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

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

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

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

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

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

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

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

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

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

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

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

(11) Intangible assets

a. Goodwill

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

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

b. Research and development

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

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

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

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

c. Other intangible assets

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

d. Subsequent expenses

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

e. Amortization

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

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

Computer software system: 1-10 years

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

(12) Impairment of non-financial assets

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

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asset is estimated. Goodwill is tested annually for impairment.

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

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

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

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

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

(13) Debt provision

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

(14) Revenue recognition

a. Revenue from customer contracts

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

1) Merchandise for sale

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

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evidence that all acceptance conditions have been met.

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

2) Provision of services

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

(15) Employee benefits

a. Defined contribution plans

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

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

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

b. Short-term employee benefits

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

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

(16) Share-based payment transactions

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

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

(17) Income tax

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

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

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

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

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

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

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

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

(18) Business combination

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

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

(19) Earnings per share

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

(20) Departmental information

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

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

The preparation of these consolidated financial statements in conformity with IFRSs generally accepted by the FSC requires management to make judgments, estimates and assumptions that affect the adoption of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

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

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

Inventory valuation

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

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6. Details of Significant Accounts

(1) Cash and cash equivalents

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

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

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

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

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

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

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

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

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

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

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

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	Dec.31.2021		
	Accounts receivable (including the part from related parties)	Weighted average expected credit loss rate	Expected credit losses in the duration of allowance
Not overdue	\$ 4,852,982	0.03%	1,614
Within 30 days past due	89,722	0.72%	650
31-60 days past due	57,755	3.58%	2,066
61-90 days past due	16,516	9.61%	1,588
91-120 days past due	3,053	80.81%	2,467
Over 120 days	5,338	50%~100%	4,654
	\$ 5,025,366		13,039

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

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

(4) Net inventory

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

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

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

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

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(5) Advance payment and other current assets

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

(6) Changes in ownership interests in subsidiaries

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

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

(7) Subsidiaries with significant non-controlling interests

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

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

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

Summarized financial information of JADARD:

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

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

(8) Property, plant and equipment

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

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

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

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

(9) Right-of-use assets

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

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

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(10) Intangible assets

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

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

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

b. Impairment testing of goodwill

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

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

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

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

(11) Other noncurrent assets

	Dec.31.2022	Dec.31.2021
Prepaid Bonus	\$ 136,970	81,985
Refundable deposits	2,233,260	1,626,948
Other	24,622	6,390
	\$ 2,394,852	1,715,323

- a. The Consolidated Company provides special incentive payments to employees who meet certain criteria, and the payments are made in a lump sum upon signing the contract. The contracted employee must commit to a period of continuous service, and if the employee fails to meet the commitment, the full amount of the special incentive shall be returned for any reason. The Consolidated Company amortized the total prepaid bonuses as manufacturing expenses and operating expenses over the contracted service period, and recognized manufacturing expenses and operating expenses of \$186,698 thousand and \$133,337 thousand for the years ended December 31, 2022 and 2021, respectively.
- b. In order to ensure stable production capacity, the Consolidated Company entered into production capacity guarantee contracts with suppliers, under which a guarantee deposit is paid and returned when the contracts are completed, which is recorded under Other non-current assets - Refundable deposits. In addition, the consolidated companies, considering market demand changes and future capacity utilization, have estimated related compensation losses and liability reserves according to capacity assurance contracts. These are recorded under the cost of goods sold and other current liabilities.

(12) Short-term loans

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

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

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(13) Lease liabilities

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

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

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

The amount recognized in profit and loss is as follows:

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

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

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

Leasing of buildings and structures

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

(14) Employee benefits

Defined contribution plan

If the Consolidated Company is a domestic company, its defined contribution plan is based on the Labor Pension Act, which provides for a contribution rate of 6% of the workers' monthly wages to the Bureau of Labor Insurance's individual labor pension accounts. Under this plan, the Consolidated Company is not legally or constructively obligated to pay additional amounts after it has contributed a fixed amount to the bureau. If the Consolidated Company is a foreign company, it contributes an amount to the pension funds in accordance with local laws and regulations, and recognizes the required contributions in each period as current expenses. Chinese subsidiaries included in the consolidated entity are required by the Chinese government to make contributions to the basic endowment insurance premium at a statutory rate based on the approved salaries of employees and to recognize the contributions as current expenses.

The pension costs and pension insurance premiums under the defined contribution pension plan were \$70,957 thousand and \$56,267 thousand for the years ended December 31, 2022 and 2021, respectively.

(15) Income tax

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

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b. Income tax expense

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

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

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

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

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

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

c. Deferred income tax assets and liabilities

1) Unrecognized deferred income tax liabilities

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

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

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

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

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

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

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

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

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

2) Deferred income tax assets and liabilities recognized

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

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

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

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

(16) Capital and other interests

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

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

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

a. Issuance of common shares

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

b. Capital surplus

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

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

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According to the Company Act, new shares or cash may only be issued from realized capital surplus in proportion to the original shares of the shareholders after the capital surplus has first been used to cover losses. Realized capital surplus as referred to in the preceding paragraph includes surplus from the issue of shares in excess of par value and proceeds from gifts. As stipulated in Article 72-1 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, where capital reserve is capitalized, the combined amount of any portions capitalized in any 1 year may not exceed 10 percent of paid-in capital.

c. Retained earnings

Under the Company's Articles of Incorporation, if there is any net profit after tax for the period, the Company shall first make up the accumulated deficit in the annual final accounts and set aside 10% as legal reserve in accordance with the law, except when the accumulated legal reserve has reached the total paid-in capital of the Company. The special reserve is appropriated or reversed as required by law or by the competent authority. The Board of Directors shall prepare a proposal for the distribution of the remaining earnings, together with the undistributed earnings at the beginning of the period, and submit it to the shareholders' meeting for resolution on the distribution of dividends to shareholders.

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

1) Legal reserve

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

2) Special reserve

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

3) Distribution of earnings

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

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

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

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d. Treasury shares

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

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

In fiscal 2020, the Company bought back a total of 369 thousand shares of treasury stock for transfer to employees under Article 28-2 of the Securities and Exchange Act. As of December 31, 2022, in a total of 369 thousand shares are un-canceled.

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

e. Other equity

The changes in the Company are other equity items are as follows.

	Exchange difference on translation of foreign financial statements	Unearned compensation for employees	Total
Balance at January 1, 2022	\$ (43,782)	-	(43,782)
Differences from foreign currency translations (net amount after taxes)	15,078	-	15,078
Balance at December 31, 2022	\$ (28,704)	-	(28,704)
Balance at January 1, 2021	\$ (13,191)	(1,734)	(14,925)
Differences from foreign currency translations (net amount after taxes)	(30,591)	-	(30,591)
Unearned compensation for employees (net amount after taxes)	-	1,734	1,734
Balance at December 31, 2021	\$ (43,782)	-	(43,782)

(17) Share-based payment transaction

a. Restricted stock for employees

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

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

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

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

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

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

b. Jadard Technology INC.-Employee stock option certificate

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

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

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

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

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

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

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

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

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

c. Employee expenses

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

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

(18) Earnings per share

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

a. Basic EPS

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

b. Diluted earnings per share

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

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(19) Contractual revenue

a. Details of the contractual revenue

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

b. Contract balances

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

(20) Compensation for employees and directors

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

For the years ended December 31, 2022 and 2021, the Company made no provision for directors' remuneration. The estimated amounts of employee compensation of \$201,488 thousand and \$369,675 thousand, respectively, were based on the Company's net profit before tax for each period before deducting employee and director compensation multiplied by the distribution percentages of employee compensation and director compensation as stipulated in the Company's Articles of Incorporation and was recognized as Operating cost or Operating expense for 2022 and 2021. If the actual distribution amount differs from the estimated amount in the following year, the difference is treated as a change in accounting estimate and recognized as profit or loss in the following year. If the Board of Directors resolves to distribute employee compensation in shares, the number of shares is calculated based on the closing price of the common stock on the day before the Board of Directors' resolution.

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

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(21) Non-operating income and expenses

a. Interest income

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

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

b. Other income

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

c. Other gains and losses

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

d. Financial costs

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

(22) Financial instruments

a. Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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

3) Credit risk on receivables

Please refer to Note 6(3) for credit risk exposure information of receivables. Other financial assets measured at amortized cost including time deposits for over three

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months and other receivables are financial assets with low credit risk and therefore the allowance for losses for the period is measured at the expected credit loss amount for 12 months. (Please refer to Note 4(7) to the Consolidated Financial Statements for a description of how the Consolidated Company determines low credit risk). No allowance for losses was provided for the years ended December 31, 2022 and 2021.

b. Liquidity risk

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

	<u>Book value</u>	<u>Contract cash flow</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December. 31, 2022							
Non-derivative financial liabilities							
Current borrowings	\$ 220,734	222,465	222,465	-	-	-	-
Accounts and notes payable	1,891,917	1,891,917	1,891,917	-	-	-	-
Other payables	484,168	484,168	484,168	-	-	-	-
Lease liabilities (including current and non-current)	41,169	39,709	16,218	14,187	9,304	-	-
Guarantee Deposits received	166,277	166,277	166,277	-	-	-	-
	<u>\$ 2,804,265</u>	<u>2,804,536</u>	<u>2,781,045</u>	<u>14,187</u>	<u>9,304</u>	<u>-</u>	<u>-</u>
December. 31, 2021							
Non-derivative financial liabilities							
Current borrowings	\$ 777,808	778,140	778,140	-	-	-	-
Accounts and notes payable	3,435,609	3,435,609	3,435,609	-	-	-	-
Other payables	378,362	378,362	378,362	-	-	-	-
Lease liabilities (including current and non-current)	83,504	85,989	23,797	23,508	31,021	7,663	-
Guarantee Deposits received	165,706	165,706	165,706	-	-	-	-
	<u>\$ 4,840,989</u>	<u>4,843,806</u>	<u>4,781,614</u>	<u>23,508</u>	<u>31,021</u>	<u>7,663</u>	<u>-</u>

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

c. Exchange rate risk

1) Exposure of exchange risk

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

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

2) Sensitivity analysis

The Consolidated Company's exchange rate risk arises primarily from foreign currency-denominated cash and cash equivalents, accounts receivable and other receivables, short-term borrowings, accounts payable and other payables, which result in foreign currency exchange gains or losses upon translation. For the years ended December 31, 2022 and 2021, if the New Taiwan dollar had weakened or strengthened by 5% against the U.S. dollar, with all other factors held constant, net income would have decreased or increased by \$32,373 thousand and \$125,762 thousand, respectively. The same basis of analysis was used for both periods.

Due to the variety of functional currencies of the Consolidated Company, information on exchange gains and losses on monetary items is presented on a consolidated basis. Foreign currency exchange losses (including realized and unrealized) amounted to \$319,857 thousand and \$18,416 thousand for the years ended December 31, 2022 and 2021, respectively.

d. Interest rate analysis

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

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

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

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

e. Fair value information

1) Types and fair values of financial instruments

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

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	Dec.31.2021				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at					
amortized cost					
Current borrowings	\$ 777,808	-	-	-	-
Notes and accounts payable	3,435,609	-	-	-	-
Other current liabilities	378,362	-	-	-	-
Lease liabilities (including current and non-current)	83,504	-	-	-	-
Guarantee Deposits received	165,706	-	-	-	-
Total	\$ 4,840,989	-	-	-	-

2) Valuation techniques and assumptions used to measure fair value

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

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

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

(23) Financial risk management

a. Summary

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

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

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

b. Risk management framework

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

c. Credit risk

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

1) Accounts receivable and other receivables

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

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

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

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

2) Investment

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

d. Liquidity risk

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

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

e. Market risk

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

1) Exchange rate risk

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

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

2) Interest rate risk

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

3) Other market price risks

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

(24) Capital management

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

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

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

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

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

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

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

- a. Right-of-use assets acquired by lease, please refer to Note 6(9).
b. The reconciliation of liabilities from financing activities is as follows:

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

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

7. Transaction with related parties

- (1) Name and relationship of related parties

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

<u>Name of related party</u>	<u>Relationship with the consolidated company</u>
Hon Hai Precision Industry Co., Ltd. (Hon Hai Precision)	It has significant influence on the Company
Fitipower Environmental Sustainability Foundation (Fitipower Foundation)	Other related party
Hongfutai Precision Electronics (Yantai) Co., Ltd. (Hongfutai (Yantai))	Other related party
Foxconn Interconnect Technology Limited Taiwan Branch (Cayman)	Other related party
Hongfujin Precision Industry (Wuhan) Co., Ltd.	Other related party
Ambit Microsystems (Shanghai) Co., Ltd. (Renamed Fulina Ambit (Shanghai) Microsystems Co., Ltd. in February 2022.)	Other related party
Shenzhen Fu Tai Hong Precision Industrial Co., Ltd.	Other related party

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Name of related party	Relationship with the consolidated company
Shenzhen Fugui Precision Industry Co., Ltd. (Renamed Shenzhen Fulian Fugui Precision Industry Co., Ltd. in November 2021.)	Other related party
Hongfujin Precision Electrons (Chongqing) Co., Ltd.	
Hongfujin Precision Electrons (Yantai) Co., Ltd.	Other related party
Nanning Fugui Precision Industry Co., Ltd. (Renamed Nanning Fulian Fugui Precision Industry Co., Ltd. in December 2021.)	Other related party
Hongfujin Precision Industry (Zhengzhou) Co., Ltd.	Other related party
Kunshan Fuchengke Precision Electrical Co., Ltd. (Kunshan Fuchengke)	Other related party
Socle Technology Corp. (Socle Technology)	Other related party
CLOUD NETWORK TECHNOLOGY SINGAPORE(CLOUD NETWORK)	Other related party
FIH (HONG KONG) LIMITED	Other related party
Hongfujin Precision Industry (Shenzhen) Co., Ltd. (Renamed Foxconn Technology Group Co., Ltd. in December. 2022.(Foxconn))	Other related party
ECMMS PRECISION SINGAPORE PTE.LTD.	Other related party
Chiun Mai Communication Systems, Inc.	Other related party
Futaijing Precision Electron (Beijing) Co., Ltd.	Other related party

(2) Significant transactions with related parties

a. Operating revenue

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

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

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

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b. Accounts receivable from related parties

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

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

c. Purchase

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

	<u>2022</u>	<u>2021</u>
Other related parties— Socle Technology	<u>\$ 31</u>	<u>853,086</u>

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

d. Accounts payable to related parties

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

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

e. Property Transactions

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

	<u>2022</u>	<u>2021</u>
Socle Technology	<u>\$ -</u>	<u>14,442</u>

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

f. Donation expenses

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

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(3) Transactions related to key management personnel

Key management personnel compensation includes:

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

8. Pledged Assets

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

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

9. Significant Contingent Liabilities and Unrecognized Contractual Commitments

(1) As of December 31, 2022 and 2021, the Consolidated Company had \$4,770,530 thousand and \$4,344,240 thousand, respectively, of guarantee deposit notes issued to obtain short-term loan facilities.

(2) JADARD TECHNOLOGY INC. (hereinafter referred to as JADARD TECHNOLOGY INC.), a subsidiary of the Consolidated Company, applied for listing on the Sci-Tech Innovation Board (STAR Market) of the Shanghai Stock Exchange on June 29, 2021. The Company, Ever Harvest Limited and Trade Logic Limited are the controlling shareholders of JADARD TECHNOLOGY INC. (hereinafter collectively referred to as the controlling shareholders and parties acting in concert with them). In accordance with the requirements of the CSRC, the Shanghai Stock Exchange and other securities regulatory authorities, JADARD TECHNOLOGY INC., the Controlling Shareholders and their concert parties are required to give relevant undertakings. Information on related commitments can be found on the Market Observation Post System.

(3) A subsidiary of the Consolidated Company, JADARD TECHNOLOGY INC., entered into a capacity reservation contract on December 30, 2021 with the Company. The amount of the guarantee deposit due is \$2,210,663 thousand (RMB508, 900 thousand) and the outstanding amount is \$1,322,400 thousand (RMB300, 000 thousand) as of December 31, 2022, which was accounted for as a guarantee deposit.

10. Losses due to major disasters: None

11. Subsequent Events: None

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12. Others

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

Function Nature	2022			2021		
	Belonging to operating cost	Belonging to operating expense	Total	Belonging to operating cost	Belonging to operating expense	Total
Employee benefit expenses						
Payroll expenses	77,021	2,223,154	2,300,175	75,363	2,081,235	2,156,598
Labor/Health insurance expenses	4,334	96,090	100,424	3,361	73,672	77,033
Pension expenses	2,586	68,371	70,957	2,146	54,121	56,267
Compensation of directors	-	1,107	1,107	-	858	858
Other employee benefit expenses	2,620	58,025	60,645	2,121	45,076	47,197
Depreciation expenses	72,080	259,000	331,080	42,556	171,744	214,300
Amortization expenses	-	60,965	60,965	18	25,000	25,018

13. Supplementary Disclosures

(1) Information on Significant Transactions

Information on significant transactions required to be disclosed by the consolidated company in accordance with the Guidelines for the Preparation of Financial Statements for the year ended Dec. 31, 2022 is as follows:

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

Unit: NTS thousands

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

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

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

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

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

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

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

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

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

Unit: NT\$ thousands/ thousand shares

Holding Company	Type and name of marketable securities	Relationship with the issuer of the marketable securities	Financial statement account	End of the Period				Note
				Shares (thousand shares)	Carrying value	Shareholding percentage	Fair value	
Jadard Technology INC.	ChongDien Microelectronics Limited	-	Current financial assets at fair value through profit or loss	-	-	15.00 %	-	
The Company	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	239,118	3,291,506	-	3,291,506	
The Company	Union Money Market Fund	-	Current financial assets at fair value through profit or loss	118,404	1,588,489	-	1,588,489	
The Company	Allianz Global Investors Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	71,815	914,582	-	914,582	
The Company	Hua Nan Phoenix Money Market Fund	-	Current financial assets at fair value through profit or loss	51,883	857,077	-	857,077	
The Company	Taishin Ta-Chong Money Market Fund	-	Current financial assets at fair value through profit or loss	74,312	1,072,410	-	1,072,410	
The Company	Yuanta Wan Tai Money Market Fund	-	Current financial assets at fair value through profit or loss	32,871	505,204	-	505,204	
The Company	Yuanta De-Li Money Market Fund	-	Current financial assets at fair value through profit or loss	54,993	911,205	-	911,205	
Pu Yu Investment Co., Ltd	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	25,487	350,839	-	350,839	
Pu Yu Investment Co., Ltd	Union Money Market Fund	-	Current financial assets at fair value through profit or loss	11,225	150,593	-	150,593	

- d. Acquisition or Sale of the Same Securities with the Accumulated Cost Reaching NT\$300 Million or 20% of Paid-in Capital or More:

Unit: NT\$ thousands/ thousand shares

Investor	Types and Names of Marketable Securities	Financial statement account	Transaction counterparty	Relationships	Beginning of the period		Acquisition		Sale				End of the period	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Cost	+/-	Number of shares	Amount
The Company	Beneficiary Certificate - Taishin 1699 Money Market Fund	Current financial assets at fair value through profit or loss	-	-	114,994	1,572,962	510,297	6,998,201	386,173	5,301,501	5,283,396	18,105	239,118	3,291,506
The Company	Beneficiary Certificate - Risheng Money Market Fund	Current financial assets at fair value through profit or loss	-	-	162,230	2,431,362	32,077	481,000	194,307	2,919,741	2,910,979	8,762	-	-
The Company	Beneficiary Certificate - Franklin Templeton Sinoam Money Market Fund	Current financial assets at fair value through profit or loss	-	-	84,218	880,385	-	-	84,218	882,363	879,877	2,486	-	-
The Company	Beneficiary Certificate - FITC Taiwan Money Market	Current financial assets at fair value through profit or loss	-	-	-	-	101,964	1,578,000	101,964	1,580,736	1,578,000	2,736	-	-
The Company	Beneficiary Certificate - Union Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	268,959	3,600,157	150,555	2,018,157	2,012,000	6,157	118,404	1,588,489
The Company	Beneficiary Certificate - Allianz Global Investors Taiwan Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	71,815	913,000	-	-	-	-	71,815	914,582

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

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

- e. Acquisition of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None
- f. Disposal of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None.
- g. Purchase or sale of goods with related parties amounting to at least NT\$100 million or 20% of the paid-in capital:

Unit: NTS thousands

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

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

Fitipower Integrated Technology Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

More:

Unit: NTS thousands

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

i. Engaged in derivatives trading: Refer to Note 6(2).

j. Business relationships, significant transactions, and amount between the parent company and subsidiaries and between subsidiaries:

Unit: NTS thousands

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

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

1.Fill in 0 as parent company.

2.Subsidiaries are numbered by company type starting with the Arabic numeral 1.

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

1.Parent to subsidiary

2.Subsidiary to parent

3.Subsidiary to subsidiary

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

Fitipower Integrated Technology Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

(2) Information about the re-investment:

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

Unit: NTS thousands/ thousand shares

Investor Company	Investee Company	Location	Main businesses	Original investment amount		Balance as of the end			Maximum shareholding or capitalization in the period	Net income (loss) of the investee	Share of profit/loss of investee	Note
				End of the period	End of last year	Thousand shares	Percentage of ownership	Book value				
The Company	Trade Logic	BVI	Investment	302,296	302,296	30	100.00%	4,280,162	100.00%	313,647	313,647	Note
Trade Logic	Ever Harvest	Samoa	Investment	302,296	302,296	10,000	100.00%	4,280,162	100.00%	313,647	313,647	Note
The Company	Visual Sensing Technology	Hsinchu City	IC design	260,000	145,000	23,000	89.16%	106,358	89.16%	(91,212)	(84,899)	Note
Jadard Technology INC.	Jadard Technology Limited	HK	General trade	270,264	270,264	9,200	100.00%	401,205	100.00%	(134,208)	(134,208)	Note
The Company	Pu Yu Investment	Taipei City	Investment	500,000	-	50,000	100.00%	501,872	100.00%	1,872	1,872	Note

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

(3) Investment in Mainland China:

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

Unit: NTS thousands

Investee Company	Main businesses	Paid-up capital	Method of investment (Note 1)	Beginning balance of accumulated outflow of investment from Taiwan	Remittance or recovery of investment amount in the current period		Ending balance of accumulated outflow of investment from Taiwan	Net income (loss) of the investee	The Company's percentage of ownership directly or indirectly	Maximum shareholding or capitalization in the period	Investment gains (losses) recognized in the current period (Note 2)	Carrying amount as of the end	Ending balance of accumulated inward remittance of earnings
					Investee Company	Main businesses							
Jadard Technology INC.	IC design	1,775,284 (Note 3)	(1)	302,296	-	-	302,296	526,610	55.04%	55.04%	313,647	4,280,162	-
Hefei Jadard	Supply chain management	224,523 (Note 4)	(2)	-	-	-	-	4,533	55.04%	55.04%	2,700	364,005	-
Xiamen Jadard	Supply chain management	4,344 (Note 5)	(2)	-	-	-	-	(1,513)	55.04%	55.04%	(901)	1,974	-

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

(1) Reinvestment in mainland China companies through re-investment in existing companies in third regions (Trade Logic Limited and Ever Harvest Limited).

(2) The investment method refers to a direct investment by a mainland company in a mainland company.

Note 2: The investment income or loss is recognized on the basis of the financial statements audited by the parent company's certified public accountants in Taiwan.

Note 3 : The paid-in capital was RMB 405,556 thousand, which was translated into NT\$1,775,284 thousand at the exchange rate at the time of investment.

Note 4 : The paid-in capital was RMB 50,000 thousand, which was converted to NT\$224,523 thousand at the exchange rate at the time of investment.

Note 5: The paid-in capital was RMB 1,000 thousand, which was converted to NT\$4,344 thousand at the exchange rate at the time of investment.

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

b. Investment Limit to Mainland China:

Unit: NT\$ thousands

Accumulated investment remitted from Taiwan to Mainland China at the end of the period	Investment amounts authorized by MOEAIC	Upper limit on investment authorized by MOEAIC
302,296	302,296	10,436,828

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

c. Significant transactions with Mainland China investees:

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

(4) Information of major shareholders:

Unit: share

Name of major shareholder	Share Number of shares currently held	Shareholding percentage
Hyield Venture Capital Co., Ltd.	13,213,984	7.08%
Bao Shin International Investments Co., Ltd.	10,540,000	5.65%
Hon Chi International Investment Co., Ltd.	10,100,037	5.41%

14. Operating Segment Information

There is only one reportable operating segment of the consolidated company, which is mainly engaged in research and development and production and sales of integrated circuits. Related departmental profit and loss, departmental assets and departmental liabilities are consistent with the information stated in financial statements; please refer to the consolidated balance sheet and the consolidated statement of income.

Fitipower Integrated Technology Inc.
Parent Company Only Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Fitipower Integrated Technology Inc:

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basic for audit opinion

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

Key audit matter

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

1. Inventory valuation

Please refer to Note 4(7) to the parent company only financial statements for the accounting policies related to inventories; Note 5 to the parent company only financial statements for the accounting estimates, assumptions and uncertainties related to inventory valuation; and Note 6(4) to the parent company only financial statements for the disclosure of inventories.

Description of the key audit matter:

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

How the matter was addressed in our audit:

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

2. Revenue recognition

Please refer to Note 4(14) to the parent company only financial statements for the accounting policy of revenue recognition and Note 6(18) to the parent company only financial statements for the details of sales revenue.

Description of the key audit matter:

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

How the matter was addressed in our audit:

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

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

KPMG

Taipei, Taiwan (Republic of China)

February 23, 2023

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

Fitipower Integrated Technology Inc.**Balance Sheet****As of December 31, 2022 and December 31, 2021****Unit: NT\$ thousands**

	December 31, 2022				December 31, 2021					December 31, 2022				December 31, 2021			
	Amount	%	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%		
Assets																	
Current assets:																	
1100	Cash and cash equivalents (Note 6(1))	\$	463,764	2	4,429,149	20			2100	Current borrowings (Note 6(11))	\$	-	-	777,808	4		
1110	Current financial assets at fair value through profit or loss (Note 6(2))		9,141,040	44	4,888,006	22			2123	Current financial liabilities at fair value through profit or loss (Note 6(2))		1,306	-	-	-		
1136	Current financial assets at amortized cost (Note 6 (1) and 8)		-	-	550,000	3			2130	Current contract liabilities		91,852	-	7,813	-		
1170	Accounts receivable, net (Note 6(3))		2,404,895	12	4,587,884	22			2170	Notes and Accounts payable (Note 7)		1,432,968	7	3,005,891	13		
1181	Accounts receivable due from related parties, net (Note 6(3) and 7)		89,495	-	161,181	1			2230	Current tax liabilities		790,210	4	1,161,331	5		
1175	Lease payments receivable		12,828	-	12,219	-			2280	Current lease liabilities (Note 6(12))		21,589	-	31,026	-		
1200	Other receivables (Note 7)		44,296	-	96,967	-			2300	Other current liabilities (Note 6(10) and 7)		789,314	4	786,791	4		
130X	Current inventories, net (Note 6(4))		1,870,467	10	2,637,008	13						<u>3,127,239</u>	<u>15</u>	<u>5,770,660</u>	<u>26</u>		
1410	Prepayments and other current assets (Note 6(5))		16,306	-	262,965	1											
			<u>14,043,091</u>	<u>68</u>	<u>17,625,379</u>	<u>82</u>											
Non-current assets:																	
1550	Investments accounted for using equity method (Note 6(6))		4,888,392	24	2,394,718	11											
1600	Property, plant and equipment (Note 6(7))		556,554	3	312,043	1											
1755	Right-of-use assets (Note 6(8))		28,095	-	56,005	-											
1780	Intangible assets (Note 6(9))		49,062	-	195,559	1											
1840	Deferred tax assets (Note 6(14))		29,571	-	25,313	-											
1995	Other non-current assets (Note 6(10))		1,010,529	5	1,138,580	5											
1935	Long-term lease payments receivable		11,177	-	24,006	-											
			<u>6,573,380</u>	<u>32</u>	<u>4,146,224</u>	<u>18</u>											
			<u>\$ 20,616,471</u>	<u>100</u>	<u>21,771,603</u>	<u>100</u>											
Total assets																	
Liabilities and equity																	
Current liabilities:																	
2100	Current borrowings (Note 6(11))	\$	-	-	777,808	4											
2123	Current financial liabilities at fair value through profit or loss (Note 6(2))		1,306	-	-	-											
2130	Current contract liabilities		91,852	-	7,813	-											
2170	Notes and Accounts payable (Note 7)		1,432,968	7	3,005,891	13											
2230	Current tax liabilities		790,210	4	1,161,331	5											
2280	Current lease liabilities (Note 6(12))		21,589	-	31,026	-											
2300	Other current liabilities (Note 6(10) and 7)		789,314	4	786,791	4											
			<u>3,127,239</u>	<u>15</u>	<u>5,770,660</u>	<u>26</u>											
Non-current liabilities:																	
2570	Deferred tax liabilities (Note 6 (14))		71,251	-	373	-											
2580	Non-current lease liabilities (Note 6(12))		6,865	-	25,690	-											
2630	Deferred revenue		15,635	-	18,565	-											
2645	Guarantee Deposits received		768	-	110,720	1											
			<u>94,519</u>	<u>-</u>	<u>155,348</u>	<u>1</u>											
			<u>3,221,758</u>	<u>15</u>	<u>5,926,008</u>	<u>27</u>											
Total liabilities																	
Equity: (Note 6(15) and (16))																	
3110	Capital stock		1,865,453	9	1,865,453	9											
3200	Capital surplus		8,615,095	43	6,986,364	32											
Retained earnings:																	
3310	Legal reserve		853,945	4	268,720	1											
3320	Special reserve		43,782	-	13,192	-											
3351	Unappropriated retained earnings		6,054,591	29	6,765,097	31											
			<u>6,952,318</u>	<u>33</u>	<u>7,047,009</u>	<u>32</u>											
3400	Other equity		(28,704)	-	(43,782)	-											
3500	Treasury stock		(9,449)	-	(9,449)	-											
			<u>17,394,713</u>	<u>85</u>	<u>15,845,595</u>	<u>73</u>											
			<u>\$ 20,616,471</u>	<u>100</u>	<u>21,771,603</u>	<u>100</u>											
Total liabilities and equity																	

(Please refer to the accompanying notes to the parent company only financial statements)

Chairman: Lin, Yung-Chieh

Manager: Chiu, Shu-Hui

CAO: Chen, Po-Tsang

Statements of Comprehensive Income**For the years ended December 31, 2022 and 2021****Unit: NT\$ thousands**

		2022		2021	
		Amount	%	Amount	%
4111	Operating revenue (Note 6 (18) and 7)	\$ 14,405,751	100	18,032,483	100
5000	Operating cost (Note 6 (4), 7 and 12)	8,658,528	60	9,838,539	55
	Gross profit from operations	5,747,223	40	8,193,944	45
	Operating expense: (Note 6 (9) (10) (13) (16) (19) 7 and 12)				
6100	Selling expense	267,291	2	268,531	1
6200	Administration expense	272,726	2	224,693	1
6300	Research and development expense	1,669,243	12	1,538,436	9
		2,209,260	16	2,031,660	11
	Net operating income	3,537,963	24	6,162,284	34
	Non-operating income and expense: (Note 6 (6) (9) (12) and (20)):				
7100	Interest income	12,086	-	6,626	-
7010	Other income	10,376	-	12,585	-
7020	Other gains and losses, net	(27,027)	-	7,078	-
7050	Financial costs, net	(12,145)	-	(11,112)	-
7070	Share of profit of subsidiaries accounted for using equity method	230,620	2	818,721	5
		213,910	2	833,898	5
	Income before income tax	3,751,873	26	6,996,182	39
7950	Less: Income tax expense (Note 6 (14))	681,567	5	1,143,938	6
	Net income	3,070,306	21	5,852,244	33
8300	Other comprehensive income:				
8360	Components of other comprehensive income that will be reclassified to profit or loss (Note 6 (14) and (15))				
8361	Exchange differences on translation	18,942	-	(38,280)	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	3,864	-	(7,689)	-
	Total components of other comprehensive income that will be reclassified to profit or loss	15,078	-	(30,591)	-
8300	Total other comprehensive income	15,078	-	(30,591)	-
	Total comprehensive income	\$ 3,085,384	21	5,821,653	33
	Earnings per share (Unit: NT\$1) (Note 6 (17))				
	Basic earnings per share	\$ 16.49		33.83	
	Diluted earnings per share	\$ 16.31		33.57	

(Please refer to the accompanying notes to the parent company only financial statements)

Chairman: Lin, Yung-Chieh Manager: Chiu, Shu-Hui CAO: Chen, Po-Tsang

(ENGLISH TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN CHINESE)

Fitipower Integrated Technology Inc.

Statement of Changes in Equity

For the years ended December 31, 2022 and 2021

Unit: NT\$ thousands

	Retained earnings					Other equity items			Total equity
	Share capital for common stock	Capital reserves	Legal reserve	Special reserve	Undistributed retained earnings	Exchange difference arising from translation of foreign operation financial statements	Unearned compensation for employees	Treasury stock	
Balance at January 1, 2021	\$ 1,665,880	2,064,369	202,162	24,406	1,383,718	(13,191)	(1,734)	(9,449)	5,316,161
Net income in 2021	-	-	-	-	5,852,244	-	-	-	5,852,244
Other comprehensive income in 2021, net of income tax	-	-	-	-	-	(30,591)	-	-	(30,591)
Total comprehensive income in 2021	-	-	-	-	5,852,244	(30,591)	-	-	5,821,653
Appropriation of retained earnings:									
Legal reserve appropriated	-	-	66,558	-	(66,558)	-	-	-	-
Reversal of special reserve	-	-	-	(11,214)	11,214	-	-	-	-
Cash dividends of ordinary share	-	(28)	-	-	(415,521)	-	-	-	(415,549)
Issue of shares	200,000	4,900,000	-	-	-	-	-	-	5,100,000
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(4,265)	-	-	-	-	-	-	(4,265)
Compensation cost of share-based payment transactions	-	25,520	-	-	-	-	-	-	25,520
Compensation cost of restricted stock awards	-	341	-	-	-	-	1,734	-	2,075
Write-off of restricted stock awards	(427)	427	-	-	-	-	-	-	-
Balance at December 31, 2021	1,865,453	6,986,364	268,720	13,192	6,765,097	(43,782)	-	(9,449)	15,845,595
Net income in 2022	-	-	-	-	3,070,306	-	-	-	3,070,306
Other comprehensive income in 2022, net of income tax	-	-	-	-	-	15,078	-	-	15,078
Total comprehensive income in 2022	-	-	-	-	3,070,306	15,078	-	-	3,085,384
Appropriation of retained earnings:									
Legal reserve appropriated	-	-	585,225	-	(585,225)	-	-	-	-
Special reserve appropriated	-	-	-	30,590	(30,590)	-	-	-	-
Cash dividends	-	-	-	-	(3,164,997)	-	-	-	(3,164,997)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	1,628,731	-	-	-	-	-	-	1,628,731
Balance at December 31, 2022	\$ 1,865,453	8,615,095	853,945	43,782	6,054,591	(28,704)	-	(9,449)	17,394,713

(Please refer to the accompanying notes to the parent company only financial statements)

Chairman: Lin, Yung-Chieh

Manager: Chiu, Shu-Hui

CAO: Chen, Po-Tsang

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

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Income before income tax	\$ 3,751,873	6,996,182
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	176,032	132,787
Amortization expense	36,312	9,818
Net profit (loss) on financial assets and liabilities at fair value through profit	94,503	(10,792)
Interest expense	12,145	11,112
Interest income	(12,086)	(6,626)
Share-based payment	-	27,758
Share of profit of subsidiaries accounted for using equity method	(230,620)	(818,721)
Inventory valuation and disposal loss	184,177	49,476
Other operating expenses	96,857	-
Impairment loss	183,365	-
Realized gain from the sale of goods	(2,930)	(2,930)
Total adjustments to reconcile profit (loss)	<u>537,755</u>	<u>(608,118)</u>
Changes in operating assets and liabilities:		
Decrease (increase) in lease payments receivable	12,220	(36,225)
Decrease (increase) in accounts receivable and accounts receivable-related parties	2,254,675	(3,249,793)
Decrease (increase) in other receivables	52,012	(18,079)
Decrease (increase) in inventory	582,364	(1,480,069)
Decrease (increase) in prepayments and other current assets	246,659	(144,734)
Increase in other non-current assets	(31,274)	(14,482)
Increase (decrease) in contract liabilities	84,039	(17,879)
Increase (decrease) in accounts payable	(1,572,923)	1,079,372
Increase (decrease) in other current liabilities	(70,778)	510,117
Increase (decrease) in guarantee deposits received	(109,952)	53,761
Total changes in operating assets and liabilities	<u>1,447,042</u>	<u>(3,318,011)</u>
Cash inflow generated from operations	5,736,670	3,070,053
Interest received	12,745	6,123
Interest paid	(11,377)	(10,917)
Income taxes paid	(989,932)	(67,586)
Net cash inflow from operating activities	<u>4,748,106</u>	<u>2,997,673</u>
Cash flow from investing activities:		
Decrease (increase) in acquisition of financial assets at amortized cost	550,000	(490,000)
Acquisition of financial assets at fair value through profit or loss	(17,078,603)	(9,105,000)
Proceeds from disposal of financial assets at fair value through profit or loss	12,732,372	6,387,508
Acquisition of investment accounted for using equity method	(615,000)	(50,000)
Acquisition of property, plant and equipment	(387,869)	(255,972)
Decrease (increase) in refundable deposits	135,127	(1,071,688)
Acquisition of intangible assets	(73,180)	(1,980)
Net cash outflow in investing activities	<u>(4,737,153)</u>	<u>(4,587,132)</u>
Cash flow from financing activities:		
Increase (decrease) in current borrowings	(777,808)	777,808
Payments of lease liabilities	(33,533)	(27,793)
Issuance of cash dividends	(3,164,997)	(415,549)
Proceeds from issuing shares	-	5,100,000
Net cash inflow (outflow) from financing activities	<u>(3,976,338)</u>	<u>5,434,466</u>
Net(decrease) increase in cash and cash equivalents	<u>(3,965,385)</u>	<u>3,845,007</u>
Cash and cash equivalents at beginning of period	<u>4,429,149</u>	<u>584,142</u>
Cash and cash equivalents at end of period	<u>\$ 463,764</u>	<u>4,429,149</u>

(Please refer to the accompanying notes to the parent company only financial statements)

Chairman: Lin, Yung-Chieh

Manager: Chiu, Shu-Hui

CAO: Chen, Po-Tsang

Fitipower Integrated Technology Inc.

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2022 and 2021

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

1. Company history

Fitipower Integrated Technology Inc. (hereinafter "the Company") was incorporated on July 4, 1995 with the approval of the Ministry of Economic Affairs and has its place of business registered at 3F., No.6-8, Duxing Rd., Hsinchu Science Park, Hsinchu City. Upon the resolution of the shareholders' meeting on March 30, 2006, the Company merged with Hongxin Semiconductor Co. on May 1 of the same year. The Company's primary activities after the merger are research, development, production, manufacturing and sales of integrated circuits (ICs) of the integrated services digital networking systems, memory ICs for communications, analog and digital hybrid ICs, as well as custom design, consumer ICs and microcomputer peripheral ICs. Upon the resolution of the shareholders' meeting on April 16, 2010, the Company merged with TechPower Semiconductor Co (hereinafter "TechPower") on May 1, 2010, with the Company being the surviving one and TechPower being extinguished as a result of the merger. The Company's shares have since October 17, 2018 been listed on the Taiwan Stock Exchange.

2. Approval Date and Procedures of the Consolidated Financial Statements

The parent company only financial statements were approved for issuance by the Board of Directors on February 23, 2023.

3. Newly issued or revised 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).

The Company has applied the following newly amended IFRS from January 1, 2022, with no material impact on the parent company only financial statements.

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

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

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

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

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

Fitipower Integrated Technology Inc.
Notes to the Parent Company Only Financial Statements

The Company does not expect the following newly issued and amended standards, which have not yet been endorsed, to have a material impact on the parent company only 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. A summary of significant accounting policies

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

(1) Compliance statement

The parent company only financial statements are prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) Preparation basis

1. Measurement basis

The parent company only financial statements are prepared on a historical cost basis.

2. Functional and presentation currencies

The Company has the currency of the primary economic environment in which it operates as its functional currency. The parent company only financial statements are presented in New Taiwan dollars, which is the functional currency of the Company. All financial information expressed in New Taiwan dollars is expressed in thousands of New Taiwan dollars.

(3) Foreign currency

1. Foreign currency transactions

Foreign currency transactions are translated into the functional currency based on the exchange rate at the date of the transaction. At the end of each subsequent reporting period (hereinafter the reporting date), monetary items denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing on that date.

Non-monetary items in foreign currencies measured at fair value are translated into the functional currency using the exchange rate at the date when the fair value was measured, while non-monetary items in foreign currencies measured at historical cost are retranslated using the exchange rate at the date of the transaction. Foreign currency

Fitipower Integrated Technology Inc.
Notes to the Parent Company Only Financial Statements

exchange differences arising on translation are recognized in profit or loss.

2. Foreign operations

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

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

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

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

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

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

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

Fitipower Integrated Technology Inc.
Notes to the Parent Company Only Financial Statements

(5) Cash and cash equivalents

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

(6) Financial instruments

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

1. Financial assets

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

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

(1) Financial assets measured at amortized cost

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

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

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

(2) Financial assets measured at FVTPL

Financial assets measured at FVTPL, including derivative financial assets, are not

Fitipower Integrated Technology Inc.
Notes to the Parent Company Only Financial Statements

measured at amortized cost as described above. On initial recognition, the Company may irrevocably designate financial assets measured at FVTPL as financial assets measured at amortized cost in order to eliminate or significantly reduce accounting mismatches.

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

(3) Impairment losses on financial assets

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

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

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

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

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

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

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

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

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

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

Expected credit losses are a weighted estimate of the probability of credit losses

Fitipower Integrated Technology Inc.
Notes to the Parent Company Only Financial Statements

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

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

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

Allowance for losses on financial assets measured at amortized cost is deducted from the carrying amount of the assets.

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

(4) Derecognition of financial assets

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

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

Fitipower Integrated Technology Inc.
Notes to the Parent Company Only Financial Statements

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

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

(2) Equity transaction

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

(3) Treasury shares

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

(4) Other financial liabilities

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

(5) Derecognition of financial liabilities

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

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

(6) Offsetting of financial assets and liabilities

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

Fitipower Integrated Technology Inc.
Notes to the Parent Company Only Financial Statements

(7) Inventory

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

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

(8) Investing in subsidiaries

In preparing the parent company only financial statements, the Company utilizes the equity method of accounting for its investees over which it has control. Under the equity method, the apportionment of current income and other comprehensive income and loss in the financial statements is the same as the apportionment of current income and loss and other comprehensive income and loss attributable to the owners of the parent company in the financial statements prepared on a consolidated basis, and the owners' equity in the individual financial statements is the same as the equity attributable to the owners of the parent company in the financial statements prepared on a consolidated basis.

Changes in the Company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions with the owners.

(9) Property, plant and equipment

1. Recognition and measurement

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

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

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

2. Subsequent costs

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

3. Depreciation

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

No depreciation is provided for land.

Fitipower Integrated Technology Inc.
Notes to the Parent Company Only Financial Statements

The estimated useful lives of the remaining assets for the current and comparative periods are as follows:

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

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

(10) Lease

1. Lease judgment

The Company assesses whether a contract is or contains a lease at the date of its inception, and a contract is or contains a lease if it transfers control over the use of an identified asset for a period of time in exchange for consideration. For the purpose of assessing whether a contract is a lease, the Company assesses the following items:

- (1) The contract involves the use of an identified asset that is either expressly designated in the contract or implicitly designated by being available for use, which is physically distinguishable or representative of substantially all of the production capacity. The asset is not an identified asset if the provider has a substantive right to replace it; and
- (2) The Customer has the right to receive virtually all economic benefits from the use of the identified assets throughout the period of use; and
- (3) The customer acquires the right to use the identified assets throughout the period of use if one of the following conditions applies:
 - The customer has the right to direct the manner and purpose of use of the identified asset throughout its useful life.
 - The decision as to how and for what purpose the asset is to be used is predetermined and:
 - The customer has the right to operate the asset throughout its useful life and the supplier does not have the right to change such operating instructions; or
 - The customer has designed the asset in a manner that predetermines how and for what purpose it will be used throughout its useful life.

2. Lessees

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

Fitipower Integrated Technology Inc.
Notes to the Parent Company Only Financial Statements

restoring its location or the underlying asset, less any lease incentives received.

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

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

Lease payments included in the measurement of lease liabilities comprise:

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

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

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

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

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

Fitipower Integrated Technology Inc.
Notes to the Parent Company Only Financial Statements

in profit or loss.

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

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

(11) Intangible assets

1. Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of identifiable net assets under the purchase method. Goodwill acquired on consolidation is not subject to amortization but is periodically assessed for impairment and measured at the amount of the initially recognized cost less accumulated impairment.

2. Research and development

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

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

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

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

3. Other intangible assets

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

4. Subsequent expenses

Subsequent expenditure is capitalized only to the extent that it will enhance the future economic benefits of the specific asset to which it relates. All other expenditure is

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recognized in profit or loss as incurred, including goodwill and brands developed internally.

5. Amortization

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

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

Computer software system: 1-10 years

The Company reviews the amortization method, life cycle and residual value of its intangible assets at each reporting date, and makes appropriate adjustments as necessary.

(12) Impairment of non-financial assets

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

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

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

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

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

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

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(13) Liability reserve

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

(14) Revenue recognition

Revenue from customer contracts

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

1. Merchandise for sale

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

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

2. Provision of services

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

(15) Government grants

The Company recognizes unconditional government grants as other income when the grants are available for receipt. Government grants to compensate for expenses or losses incurred by the Company are recognized in profit or loss on a systematic basis over the same period as the related expenses.

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(16) Employee benefits

1. Defined contribution plans

Contribution obligations under defined contribution pension plans are recognized as expenses over the period of service rendered by employees.

2. Short-term employee benefits

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

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

(17) Share-based payment transactions

The equity-settled share-based payment agreement recognizes fees and increases relative equity over the vesting period of the award based on the Fair value of the Grant date. The fees recognized are adjusted for the number of awards expected to qualify for the service; the final amount recognized is based on the number of awards that qualify for the service on the vesting date.

(18) Income tax

Income taxes consist of current and deferred taxes. Current and deferred taxes are recognized in profit or loss, except items recognized directly in equity or other comprehensive income.

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

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

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

Deferred tax is measured at the tax rate at the time of expected temporary difference

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reversal, and is based on the statutory tax rate or substantive legislative tax rate adopted at the reporting date.

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

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

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

(19) Business combination

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

(20) Earnings per share

The Company presents basic and diluted earnings per share attributable to equity holders of the Company's ordinary shares. The calculation of the Company's basic earnings per share is based on the profit or loss attributable to equity holders of the Company's common shares divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting the profit or loss attributable to equity holders of the Company's ordinary shares and the weighted average number of ordinary shares outstanding for the effect of all potentially dilutive common shares. Potentially dilutive ordinary shares in the Company include share-based

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compensation plans, employee compensation that has not been resolved by the Board of Directors and may be paid in shares, and new shares with unvested restricted employee rights.

(21) Departmental information

The Company has disclosed segment information in its consolidated financial statements and therefore does not disclose segment information in its individual financial statements.

5. Primary sources of uncertainties in material accounting judgments, estimates, and assumptions

The preparation of these Parent Company Only Financial Statements in conformity with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” requires management to make judgments, estimates and assumptions that affect the adoption of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

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

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

Inventory valuation

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

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6. Details of Significant Accounts

1) Cash and cash equivalents

	Dec.31.2022	Dec.31.2021
Cash	\$ 735	680
Checking and savings accounts	463,029	3,747,389
Time deposits	-	1,231,080
Less: Time deposits with original maturities of more than three months (recorded as financial assets carried at amortized cost)	-	(550,000)
	\$ 463,764	4,429,149

1. For disclosure of the Company's interest rate risk and sensitivity analysis of financial assets and liabilities, please refer to Note 6 (21).
2. For the years ended December 31, 2022 and 2021, no impairment loss was recorded on financial assets measured at amortized cost. Please refer to Note 6 (21) for additional credit risk information.

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

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

	Dec.31.2022	Dec.31.2021
Financial assets mandatorily measured at fair value through profit or loss:		
Current:		
Open-ended funds	\$ 9,140,473	4,884,709
Exchange Contracts	540	3,297
Forward Foreign Exchange Contracts	27	-
	\$ 9,141,040	4,888,006
	Dec.31.2022	Dec.31.2021
Financial liabilities mandatorily measured at fair value through profit or loss:		
Current:		
Exchange Contracts	\$ 1,176	-
Forward Foreign Exchange Contracts	130	-
Total	\$ 1,306	-

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

	Dec.31.2022			Dec.31.2021		
	Contract Amount	Currency	Due date	Contract Amount	Currency	Due date
Exchange Contracts						
USD	\$ 33,000	USD	112.01	45,000	USD	111.02
Forward Foreign Exchange Contracts:						
Sell USD forward foreign exchange	6,000	USD	112.01			

3) Accounts receivable (including the part from related parties)

	Dec.31.2022	Dec.31.2021
Accounts receivable (including the part from related parties)	\$ 2,500,603	4,755,581
Less: Allowance for impairment losses	(6,213)	(6,516)
	\$ 2,494,390	4,749,065

The 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 Company's accounts receivable (including related parties) are analyzed as follows:

	Dec.31.2022		
	Accounts receivable (including the part from related parties)	Weighted average expected credit loss rate	Expected credit losses in the duration of allowance
Not overdue	\$ 2,423,774	0.18%	4,448
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	9.08%	154
91-120 days past due	15	14.51%	2
More than 120 days past due	1,190	50%-100%	1,190
	\$ 2,500,603		6,213

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	Dec.31.2021		
	Accounts receivable (including the part from related parties)	Weighted average expected credit loss rate	Expected credit losses in the duration of allowance
Not overdue	\$ 4,637,613	0.13%	6,066
Within 30 days past due	77,949	0%	1
31-60 days past due	29,284	0.01%	2
61-90 days past due	10,443	1.51%	158
More than 120 days past due	<u>292</u>	50%~100%	<u>289</u>
	<u>\$ 4,755,581</u>		<u>6,516</u>

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

	2022	2021
Beginning balance	\$ 6,516	6,516
Impairment losses (gain on reversal)	(303)	-
Ending balance	<u>\$ 6,213</u>	<u>6,516</u>

4) Net inventory

	Dec.31.2022	Dec.31.2021
Finished goods	\$ 626,930	890,720
Work-in-progress	795,478	987,411
Raw materials	<u>448,059</u>	<u>758,877</u>
	<u>\$ 1,870,467</u>	<u>2,637,008</u>

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

	2022	2021
Cost of goods sold	\$ 8,474,351	9,789,063
Loss on decline in value of inventories and obsolescence	<u>184,177</u>	<u>49,476</u>
	<u>\$ 8,658,528</u>	<u>9,838,539</u>

2. As of December 31, 2022 and 2021, none of the Company's inventories were pledged as collateral.

5) Advance payment and other current assets

	Dec.31.2022	Dec.31.2021
Prepayment	\$ 2,368	200,328
Prepaid expenses	2,437	33,884
Tax credits and prepayments	11,501	27,235
Temporary payment	<u>-</u>	<u>1,518</u>
	<u>\$ 16,306</u>	<u>262,965</u>

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6) Investments accounted for using the equity method

The Company's investments accounted for using the equity method as of the reporting date are presented below:

	Dec.31.2022	Dec.31.2021
Subsidiaries	\$ 4,888,392	2,394,718
	2022	2021
Share of profit of subsidiaries accounted for using equity method	\$ 230,620	818,721

- 1.The Company participated in cash capital increases in Visual Sensing Technology Co., Ltd. in 2022 and 2021, with 11,500 thousand shares and 5,000 thousand shares, respectively, for amounts of \$115,000 thousand and \$50,000 thousand, respectively.
- 2.In 2022, the Company invested in the establishment of Pu Yu Investment Co., Ltd., with 50,000 thousand shares for a total amount of \$500,000 thousand.
- 3.For additional information, please refer to the 2022 consolidated financial statements.
- 4.As of December 31, 2022 and 2021, the Company's investments under the equity method were not pledged as collateral.

7) Property, plant and equipment

The cost and depreciation change of the Company Property, plant and equipment are as follows:

	Instruments and Machinery	Office equipment	Leasehold improvement	Equipment to be inspected	Total
Cost:					
Balance at January 1, 2022	\$ 597,408	55,331	7,517	3,179	663,435
Addition	375,221	11,410	1,141	97	387,869
Disposal	(739)	(760)	-	-	(1,499)
Amount transferred in (out) in the current period	3,179	-	-	(3,179)	-
Balance at December 31, 2022	\$ 975,069	65,981	8,658	97	1,049,805
Balance at January 1, 2021	\$ 369,869	39,380	4,936	1,800	415,985
Addition	231,960	18,560	2,673	2,779	255,972
Disposal	(4,421)	(2,609)	(92)	-	(7,122)
Amount transferred out in the current period	-	-	-	(1,400)	(1,400)
Balance at December 31, 2021	\$ 597,408	55,331	7,517	3,179	663,435
Depreciation:					
Balance at January 1, 2022	\$ 310,181	37,427	3,784	-	351,392
Depreciation	132,393	9,546	1,419	-	143,358
Disposal	(739)	(760)	-	-	(1,499)
Balance at December 31, 2022	\$ 441,835	46,213	5,203	-	493,251
Balance at January 1, 2021	\$ 214,761	35,154	2,818	-	252,733
Depreciation	99,841	4,882	1,058	-	105,781
Disposal	(4,421)	(2,609)	(92)	-	(7,122)
Balance at December 31, 2021	\$ 310,181	37,427	3,784	-	351,392

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	Instruments and Machinery	Office equipment	Leasehold improvement	Equipment to be inspected	Total
Book value:					
December 31, 2022	<u>\$ 533,234</u>	<u>19,768</u>	<u>3,455</u>	<u>97</u>	<u>556,554</u>
December 31, 2021	<u>\$ 287,227</u>	<u>17,904</u>	<u>3,733</u>	<u>3,179</u>	<u>312,043</u>

As of December 31, 2022 and 2021, the Company's property, plant and equipment were not pledged as collateral.

8) Right-of-use assets

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

	<u>Buildings</u>
Cost of right-to-use assets:	
Balance at January 1, 2022	\$ 116,700
Addition	27,729
Disposal	(65,511)
Effect of the changes in exchange rates	<u>21</u>
Balance at December 31, 2022	<u>\$ 78,939</u>
Balance at January 1, 2021	\$ 76,985
Addition	39,721
Effect of the changes in exchange rates	<u>(6)</u>
Balance at December 31, 2021	<u>\$ 116,700</u>
Depreciation and impairment loss on right-of-use assets:	
Balance at January 1, 2022	\$ 60,695
Depreciation	32,674
Disposal	(42,535)
Effect of the changes in exchange rates	<u>10</u>
Balance at December 31, 2022	<u>\$ 50,844</u>
Balance at January 1, 2021	\$ 33,694
Depreciation	27,006
Effect of the changes in exchange rates	<u>(5)</u>
Balance at December 31, 2021	<u>\$ 60,695</u>
Book value:	
December 31, 2022	<u>\$ 28,095</u>
December 31, 2021	<u>\$ 56,005</u>

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9) Intangible assets

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

	<u>Goodwill</u>	<u>Computer Software</u>	<u>Patent and know-how</u>	<u>Total</u>
Cost:				
Balance at January 1, 2022	\$ 184,972	15,717	20,266	220,955
Separate acquisition	-	66,919	6,261	73,180
Balance at December 31, 2022	<u>\$ 184,972</u>	<u>82,636</u>	<u>26,527</u>	<u>294,135</u>
Balance at January 1, 2021	\$ 184,972	12,665	19,938	217,575
Separate acquisition	-	1,652	328	1,980
Transferred in during the current period	-	1,400	-	1,400
Balance at December 31, 2021	<u>\$ 184,972</u>	<u>15,717</u>	<u>20,266</u>	<u>220,955</u>
Amortization:				
Balance at January 1, 2022	\$ -	9,671	15,725	25,396
Amortization	-	29,063	7,249	36,312
Impairment in the current period	183,365	-	-	183,365
Balance at December 31, 2022	<u>\$ 183,365</u>	<u>38,734</u>	<u>22,974</u>	<u>245,073</u>
Balance at January 1, 2021	\$ -	6,242	9,336	15,578
Amortization in the current period	-	3,429	6,389	9,818
Balance at December 31, 2021	<u>\$ -</u>	<u>9,671</u>	<u>15,725</u>	<u>25,396</u>
Book value:				
December 31, 2022	<u>\$ 1,607</u>	<u>43,902</u>	<u>3,553</u>	<u>49,062</u>
December 31, 2021	<u>\$ 184,972</u>	<u>6,046</u>	<u>4,541</u>	<u>195,559</u>

For 2022 and 2021, the amortization expenses of intangible assets of the company were 36,312 thousand and 9,818 thousand, respectively, and were reported under the operating costs and operating expenses items in the comprehensive income statement.

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2. Impairment testing of goodwill

For the purpose of impairment testing, the Company has allocated goodwill to the Hongxin Semiconductor product cash generating unit. The total carrying amount of goodwill is shown as follows:

	<u>Dec.31.2022</u>	<u>Dec.31.2021</u>
Original Hongxin Semiconductor products cash-generating unit	<u>\$ 1,607</u>	<u>184,972</u>

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

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

10) Other non-current assets

	<u>Dec.31.2022</u>	<u>Dec.31.2021</u>
Prepaid bonus	\$ 93,584	62,795
Refundable deposits	916,945	1,075,785
	<u>\$ 1,010,529</u>	<u>1,138,580</u>

1. The 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 Company amortized the total prepaid bonuses as manufacturing expenses and operating expenses over the contracted service period, and recognized manufacturing expenses and operating expenses of \$122,035 thousand and \$105,997 thousand for the years ended December 31, 2022 and 2021, respectively.

2. In order to ensure stable production capacity, the 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 companies, considering market demand changes and future capacity utilization, have estimated related compensation losses and liability reserves according to capacity assurance contracts. These are recorded under the cost of goods sold and other current liabilities.

11) Short-term loans

The details of the Company's short-term loans are as follows:

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	<u>Dec.31.2022</u>	<u>Dec.31.2021</u>
Unsecured bank loans	<u>\$ -</u>	<u>777,808</u>
Interest rate collar	<u>-</u>	<u>0.54%~0.63%</u>
Unused loan commitment	<u>\$ 4,755,175</u>	<u>3,566,432</u>

Please refer to Note 6(21) for the disclosure of interest rate risk and sensitivity analysis of the Company's financial liabilities.

12) Lease liabilities

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

	<u>Dec.31.2022</u>	<u>Dec.31.2021</u>
Current	<u>\$ 21,589</u>	<u>31,026</u>
Non-current	<u>\$ 6,865</u>	<u>25,690</u>

For the maturity analysis, please refer to Note 6 (21) Financial Instruments.

The amount recognized in profit and loss is as follows:

	<u>2022</u>	<u>2021</u>
Interest expense of lease liabilities	<u>\$ 611</u>	<u>824</u>
Cost of low-value leased assets (excluding low-value leases under short-term leases)	<u>\$ 1,952</u>	<u>1,615</u>

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

	<u>2022</u>	<u>2021</u>
Total amount of cash outflow from lease	<u>\$ 36,096</u>	<u>30,232</u>

Leasing of buildings and structures

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

13) Employee benefits

Defined contribution plan

The Company's defined contribution plan is based on the Labor Pension Act, which provides for a contribution rate of 6% of a worker's monthly wages to a personal pension account at the Bureau of Labor Insurance. The Company has no legal or constructive obligation to pay additional amounts under this plan once the Company has contributed a fixed amount to the Bureau of Labor Insurance.

For the years ended December 31, 2022 and 2021, the pension expense under the defined contribution pension plan was \$42,245 thousand and \$35,156 thousand, respectively.

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14) Income tax

1. The components of Income tax expense (benefit) for the years ended December 31, 2022 and 2021 were as follows

	<u>2022</u>	<u>2021</u>
Current income tax expense	\$ 618,812	1,155,688
Deferred income tax expense (benefit)	62,755	(11,750)
Income tax expense	<u>\$ 681,567</u>	<u>1,143,938</u>

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

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

The reconciliation of income tax expense to net income before taxes for the Company is as follows:

	<u>2022</u>	<u>2021</u>
Net income before taxes	<u>\$ 3,751,873</u>	<u>6,996,182</u>
Income tax calculated based on the tax rate of the country where the Company is located	\$ 750,375	1,399,236
Deduction from investment	(100,000)	(98,876)
Domestic securities transaction tax suspension	(13,624)	-
Additional income tax on unappropriated earnings	82,821	7,449
Estimation changes and verification differences from previous years	(56,610)	-
Gains from the investment in foreign equity	(6,273)	(172,362)
Changes in the temporary differences that were not recognized	18,809	4,738
Other	6,069	3,753
Income tax expense	<u>\$ 681,567</u>	<u>1,143,938</u>

2. Deferred income tax assets and liabilities

(1) Unrecognized deferred income tax assets

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

	<u>Dec.31.2022</u>	<u>Dec.31.2021</u>
Investment loss	\$ 28,350	11,745
Unrealized loss on inventories	5,336	3,133
Deductible temporary differences	<u>\$ 33,686</u>	<u>14,878</u>

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(2) Deferred income tax assets and liabilities recognized

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

	Unrealized loss on inventories	Exchange difference on translation of the financial statements of foreign operations	Other	Total
Deferred income tax assets:				
January 1, 2022	\$ 9,399	10,642	5,272	25,313
Recognized in profit and loss	6,609	-	1,513	8,122
Recognized in other comprehensive income	-	(3,864)	-	(3,864)
December 31, 2022	\$ 16,008	6,778	6,785	29,571
January 1, 2021	\$ 21,037	2,953	4,144	28,134
Recognized in profit and loss	(11,638)	-	1,128	(10,510)
Recognized in other comprehensive income	-	7,689	-	7,689
December 31, 2021	\$ 9,399	10,642	5,272	25,313

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

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

15) Capital and other interests

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

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

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

1. Issuance of common shares

On May 31, 2021, the board of directors resolved Cash capital increase to issue 20,000 thousand shares with a par value of \$10 per share. The above Cash capital increase was approved by the Financial Supervisory Commission on June 28, 2021, at a price of \$255 per share, with August 5, 2011 as the base date. All issued shares have been received and registered for change.

For the years ended December 31, 2022 and 2021, the Company's board of directors resolved to cancel 0 thousand and 43 thousand shares, respectively, of restricted employee stock with a par value of \$0 thousand and \$427 thousand, respectively, and the change in registration was completed.

2. Capital surplus

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

	Dec.31.2022	Dec.31.2021
Additional paid-in capital	\$ 6,102,418	6,102,418
Transaction of treasury shares	535	535
Difference between the carrying amount and the price of the shares of subsidiaries which were acquired or disposed	2,511,692	882,961
Other capital reserve	450	450
	\$ 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 the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, where capital reserve is capitalized, the combined amount of any portions capitalized in any 1 year may not exceed 10 percent of paid-in capital.

3. 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

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accumulated legal reserve has reached the total paid-in capital of the Company. The special reserve is appropriated or reversed as required by law or by the competent authority. The Board of Directors shall prepare a proposal for the distribution of the remaining earnings, together with the undistributed earnings at the beginning of the period, and submit it to the shareholders' meeting for resolution on the distribution of dividends to shareholders.

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

(1) Legal reserve

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

(2) Special reserve

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

(3) Distribution of earnings

On June 22, 2022 and May 18, 2021, the shareholders' meeting resolved the appropriation of earnings for the years ended December 31, 2021 and 2020, and the amount of dividends distributed to owners was as follows:

	2021		2020	
	Dividend per share (NT\$)	Amount	Dividend per share (NT\$)	Amount
Dividends distributed to ordinary shareholders				
Cash	\$ 17.00	<u><u>3,164,997</u></u>	2.50	<u><u>415,521</u></u>

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

4. Treasury shares

In accordance with Article 167-1 of the Company Act, the Company shall repurchase

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treasury shares for the purpose of transferring shares to employees, with the following changes:

	2022		2021	
	Shares (in thousands)	Amount	Shares (in thousands)	Amount
Beginning and ending balance	369	\$ 9,449	369	\$ 9,449

In fiscal 2020, the Company bought back a total of 369 thousand shares of treasury stock for transfer to employees under Article 28-2 of the Securities and Exchange Act. As of December 31, 2022, in a total of 369 thousand shares are un-canceled.

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

5. Other equity

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

	Exchange difference on translation of foreign financial statements	Unearned compensation for employees	Total
Balance at January 1, 2022	\$ (43,782)	-	(43,782)
Differences from foreign currency translations (net amount after taxes)	15,078	-	15,078
Balance at December 31, 2022	\$ (28,704)	-	(28,704)
Balance at January 1, 2021	\$ (13,191)	(1,734)	(14,925)
Differences from foreign currency translations (net amount after taxes)	(30,591)	-	(30,591)
Unearned compensation for employees (net amount after taxes)	-	1,734	1,734
Balance at December 31, 2021	\$ (43,782)	-	(43,782)

16) Share-based payment transaction

a. Restricted stock for employees

On June 24, 2020, the Company shareholders' meeting resolved to issue 3,000 thousand new shares with restricted employee rights to employees of the Company and Subsidiaries, as so resolved by the Board of Directors' meeting on December 2, 2020 as follows:

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

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

(2) For the year ended December 31, 2022 and 2021, the shares with restricted employee rights issued by the Company were as follows:

	(In thousands)	
	<u>2022</u>	<u>2021</u>
Beginning shares	-	813
Vested in the current period	-	(770)
Canceled in the current period	-	(43)
Ending shares	<u>-</u>	<u>-</u>

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

2.Share-based Payment Agreement

On May 31, 2021, the board of directors resolved that Cash capital increase the number of shares reserved for subscription by employees in accordance with the Company Act. The number and price of shares subscribed were determined on June 28, 2021, and the compensation cost (recorded as salary expense) was recognized on the date of grant, and the amount recognized as of December 31, 2021 was \$25,520 thousand.

3.Employee expenses

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

	<u>2022</u>	<u>2021</u>
Expense generated from the issuance of restricted stock	\$ -	1,386
Issuance of shares for employees	-	25,520
	<u>\$ -</u>	<u>26,906</u>

17) Earnings per share

The calculations of basic earnings per share and diluted earnings per share for the years ended December 31, 2022 and 2021 were as follows:

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1. Basic earnings per share

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

2. Diluted earnings per share

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

18) Contractual revenue

1. Details of the contractual revenue

	2022	2021
Major regional markets:		
Taiwan	\$ 2,703,649	2,483,780
China	9,245,386	12,127,709
Hong Kong	2,410,356	3,160,098
Japan	15,157	239,051
Other countries	31,203	21,845
	<u>\$ 14,405,751</u>	<u>18,032,483</u>
	2022	2021
Main products/service lines:		
Display driver IC	\$ 11,881,597	15,326,577
Power management IC	2,507,005	2,677,932
Other	17,149	27,974
	<u>\$ 14,405,751</u>	<u>18,032,483</u>

2. Contract balances

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

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19) Compensation for employees and directors

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

For the years ended December 31, 2022 and 2021, no provision for directors' remuneration was made. The estimated amount of employee compensation was \$201,488 thousand and \$369,675 thousand, respectively, which was estimated by multiplying the Company's net profit before taxation for each period by the percentage of employee compensation distribution as stipulated in the Company's Articles of Incorporation, and was reported as the operating cost or operating expense for the years ended December 31, 2022 and 2021. The information is available on the Market Observation Post System. The amount of compensation to employees and directors resolved by the Board of Directors does not differ from the amount estimated in the Company's financial statements for the years ended December 31, 2022 and 2021.

20) Non-operating income and expenses

1. Interest income

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

	<u>2022</u>	<u>2021</u>
Bank deposit interests	\$ 12,049	6,598
Other interest income	37	28
Total interest income	<u>\$ 12,086</u>	<u>6,626</u>

2. Other income

	<u>2022</u>	<u>2021</u>
Income from government grants	\$ 4,309	4,808
Others	6,067	7,777
Total other income	<u>\$ 10,376</u>	<u>12,585</u>

3. Other gains and losses

	<u>2022</u>	<u>2021</u>
Foreign exchange gains (losses)	\$ 298,177	(3,714)
Profit (losses) on financial assets and liabilities measured at fair value through profit	(94,503)	10,792

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	2022	2021
Impairment loss	(183,365)	-
Other	(47,336)	-
Other gains and losses, net	\$ (27,027)	7,078

4. Financial costs

	2022	2021
Interest expenses	\$ (12,145)	(11,112)

21) Financial instruments

1. Credit risk

(1) Credit risk exposure

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

(2) Concentration of credit risk

In order to reduce the credit risk of the accounts receivable, the Company continuously evaluates the financial position of the customers and requires guarantees or warranties from them when necessary. As of December 31, 2022 and 2021, 90% and 92%, respectively, of the Company's accounts receivable balance consisted of 10 customers, resulting in a significant concentration of credit risk.

(3) Credit risk on receivables

Please refer to Note 6(3) for the credit risk exposure information of Accounts receivable. Other financial assets measured at amortized cost and Other receivables are financial assets with low credit risk, therefore, the allowance for losses is measured at the amount of 12-month Expected credit losses for the period (Please refer to Note 4(6) for the explanation of how the Company determines low credit risk.). No allowance for losses was provided for the years ended December 31, 2022 and 2021.

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
December 31, 2022							
Non-derivative financial liabilities							
Accounts and notes payable	\$ 1,432,968	1,432,968	1,432,968	-	-	-	-
Other payables	413,691	413,691	413,691	-	-	-	-
Lease liabilities (including current and non-current)	28,454	28,672	11,247	10,528	6,897	-	-
Guarantee Deposits received	768	768	768	-	-	-	-
	\$ 1,875,881	1,876,099	1,858,674	10,528	6,897	-	-

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	Book value	Contract cash flow	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities							
Current borrowings	\$ 777,808	778,140	778,140	-	-	-	-
Accounts and notes payable	3,005,891	3,005,891	3,005,891	-	-	-	-
Other payables	289,210	289,210	289,210	-	-	-	-
Lease liabilities (including current and non-current)	56,716	57,500	16,030	15,596	19,887	5,987	-
Guarantee Deposits received	110,720	110,720	110,720	-	-	-	-
	\$ 4,240,345	4,241,461	4,199,991	15,596	19,887	5,987	-

3. Exchange rate risk

(1) Exposure of exchange risk

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

	Dec.31.2022			Dec.31.2021		
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 118,883	30.707	3,650,581	220,217	27.681	6,095,749
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	89,083	30.682	2,733,208	136,651	27.686	3,783,288

(2) Sensitivity analysis

The Company's exchange rate risk arises primarily from foreign currency denominated cash and cash equivalents, accounts receivable and other receivables, short-term borrowings, accounts payable and other payables, which result in foreign currency exchange gains or losses upon translation. For the years ended December 31, 2022 and 2021, if the New Taiwan dollar had weakened or strengthened by 5% against the U.S. dollar, with all other factors held constant, net income would have increased or decreased by \$36,695 thousand and \$92,498 thousand for the years ended December 31, 2022 and 2021, respectively. The same basis of analysis was used for both periods.

Since the Company has a wide range of functional currencies, information on exchange gains and losses on monetary items is presented on a consolidated basis. Foreign currency exchange gains and losses (including realized and unrealized) amounted to gains of \$298,177 thousand and losses of \$3,714 thousand for the years ended December 31, 2022 and 2021, respectively.

4. Interest rate analysis

The Company's exposure to interest rate risk on financial assets and financial

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liabilities is described in liquidity risk management in this note.

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

For the years ended December 31, 2022 and 2021, the Company's assets and liabilities bore fixed interest rates; therefore, no related interest rate risk existed.

5. Fair value information

(1) Types and fair values of financial instruments

The carrying amounts and fair values of each class of the Company's 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:

	Dec.31.2022				
	Book value	Fair value			Total
	Level 1	Level 2	Level 3		
Current financial assets at fair value through profit or loss	\$ 9,141,040	9,141,040	-	-	9,141,040
Financial assets measured at amortized cost					
Cash and cash equivalents	463,764	-	-	-	-
Accounts receivable (including the part from related parties)	2,494,390	-	-	-	-
Lease payments receivable (including current and non-current)	24,005	-	-	-	-
Other receivables	44,296	-	-	-	-
Guarantee deposits paid	916,945	-	-	-	-
Total	\$ 13,084,440	9,141,040	-	-	9,141,040

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	Dec.31.2022				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Current financial liabilities at fair value through profit or loss	\$ 1,306	1,306	-	-	1,306
Financial liabilities measured at amortized cost					
Notes and accounts payable	1,432,968	-	-	-	-
Other payables	413,691	-	-	-	-
Lease liabilities (including current and non-current)	28,454	-	-	-	-
Guarantee Deposits received	768	-	-	-	-
Total	\$ 1,877,187	1,306	-	-	1,306
	Dec.31.2021				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Current financial liabilities at fair value through profit or loss	\$ 4,888,006	4,888,006	-	-	4,888,006
Financial assets measured at amortized cost					
Cash and cash equivalents	4,429,149	-	-	-	-
Current financial assets at amortized cost	550,000	-	-	-	-
Accounts receivable (including related parties)	4,749,065	-	-	-	-
Lease payments receivable (including current and non-current)	36,225	-	-	-	-
Other receivables	96,967	-	-	-	-
Guarantee deposits paid	1,075,785	-	-	-	-
Total	\$ 15,825,197	4,888,006	-	-	4,888,006
Financial liabilities measured at amortized cost					
Current borrowings	\$ 777,808	-	-	-	-
Notes and accounts payable	3,005,891	-	-	-	-
Other payables	289,210	-	-	-	-
Lease liabilities (including current and non-current)	56,716	-	-	-	-
Guarantee Deposits received	110,720	-	-	-	-
Total	\$ 4,240,345	-	-	-	-

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

Where there is a quoted price in an active market for a financial instrument, the fair value is based on the quoted price in the active market. The quoted price of a

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financial instrument obtained from main exchanges and on-the-run securities from Taipei Exchange can be used as a basis to determine the fair value of the exchange-listed/OTC-listed companies' equity instrument and debt instrument with active market quotations.

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

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

22) Financial risk management

1. Summary

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

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

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

2. Risk management framework

The Board of Directors has overall responsibility for overseeing the financial risk management structure of the Company, the provision of services by the financial accounting department of the Company to the various businesses, the coordination of financial market operations, and the execution of significant financial activities after review by the Board of Directors. During the implementation of the financial plan, the Company is required to comply with relevant financial operating procedures relating to

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overall financial risk management and segregation of powers and responsibilities, while internal auditors review policy compliance and exposure limits on an ongoing basis and report regularly to the Board on operations.

3. Credit risk

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

(1)Accounts receivable及Other receivables

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

The Company's accounts receivable are due from a wide range of customers, spread across different industries and geographical areas. To reduce credit risk, the Company regularly and continuously evaluates the financial position of these customers and the likelihood of collection of their accounts receivable, and provides an appropriate allowance for doubtful accounts. These major customers have a good track record of profitability and creditworthiness and the Consolidated Company has not suffered significant credit risk losses due to these major customers during the reporting period.

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

(2) Investment

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

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4. Liquidity risk

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

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

5. Market risk

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

(1) Exchange rate risk

The Company's major import and sales transactions are denominated in U.S. dollars. As a result, the Company adopts a natural hedging strategy for exposure to exchange rate risk arising from sales and purchase transactions that are not denominated in a functional currency. When short-term imbalances in net assets and liabilities of the same denomination occur, the Company ensures that net risk exposure is maintained at an acceptable level by obtaining or repaying foreign currency borrowings.

(2) Interest rate risk

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

23) Capital management

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

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

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

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

	<u>Dec 31, 2022</u>	<u>Dec 31, 2021</u>
Total liabilities	\$ 3,221,758	5,926,008
Minus: Cash and cash equivalents	<u>(463,764)</u>	<u>(4,429,149)</u>
Net liabilities	<u>\$ 2,757,994</u>	<u>1,496,859</u>
Total equity	<u>\$ 17,394,713</u>	<u>15,845,595</u>
Debt-to-capital ratio	<u>15.86%</u>	<u>9.45%</u>

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24) Investment and fund-raising activities by non-cash transactions

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

1. Right-of-use assets acquired by lease, please refer to Note 6 (8):

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

	January 1, 2022	Cash flow	Non-cash changes		December 31, 2022
			Change in exchange rate	Other	
Current borrowings	\$ 777,808	(777,808)	-	-	-
Lease liabilities (including current and non-current)	56,716	(33,533)	13	5,258	28,454
Guarantee Deposits received	110,720	(109,952)	-	-	768
Total liabilities from financing activities	\$ 945,244	(921,293)	13	5,258	29,222

	January 1, 2021	Cash flow	Non-cash changes		December 31, 2021
			Change in exchange rate	Other	
Current borrowings	\$ -	777,808	-	-	777,808
Lease liabilities (including current and non-current)	43,966	(27,793)	(2)	40,545	56,716
Guarantee Deposits received	56,959	53,761	-	-	110,720
Total liabilities from financing activities	\$ 100,925	803,776	(2)	40,545	945,244

Fitipower Integrated Technology Inc.
Notes to the Parent Company Only Financial Statements

7. Transaction with related parties

1) Name and relationship of related parties

The related parties with whom the Company had transactions during the period covered by these Parent Company Only Financial Statements are as follows:

<u>Name of related party</u>	<u>Relationship with the Company</u>
Hon Hai Precision Industry Co., Ltd. (Hon Hai Precision)	It has significant influence on the Company
Fitipower Environmental Sustainability Foundation (Fitipower Foundation)	Other related party
Visual Sensing Technology Co., Ltd. (VISUAL SENSING TECHNOLOGY)	A subsidiary of the Company
Hongfutai Precision Electrons (Yantai) Co., Ltd. (Hongfutai (Yantai))	Other related party
Foxconn Interconnect Technology Limited Taiwan Branch (Cayman)	Other related party
Hongfujin Precision Industry (Wuhan) Co., Ltd.	Other related party
Ambit Microsystems (Shanghai) Co., Ltd. (Renamed Fulina Ambit (Shanghai) Microsystems Co., Ltd. in February 2022.)	Other related party
Shenzhen Fu Tai Hong Precision Industrial Co., Ltd.	Other related party
Shenzhen Fugui Precision Industry Co., Ltd. (Renamed Shenzhen Fulian Fugui Precision Industry Co., Ltd. in November 2021.)	Other related party
Hongfujin Precision Electrons (Chongqing) Co., Ltd.	Other related party
Hongfujin Precision Electrons (Yantai) Co., Ltd.	Other related party
Nanning Fugui Precision Industry Co., Ltd. (changed its name to Nanning Fulian Fugui Precision Industry Co., Ltd. in November 2021.)	Other related party
Hongfujin Precision Electrons (Zhengzhou) Co., Ltd.	Other related party
Kunshan Fuchengke Precision Electrical Co., Ltd. (Kunshan Fuchengke)	Other related party
Socle Technology Corp. (Socle Technology)	Other related party
CLOUD NETWORK TECHNOLOGY SINGAPORE (CLOUD NETWORK)	Other related party
FIH (HONG KONG) LIMITED	Other related party
Hongfujin Precision Industry (Shenzhen) Co., Ltd. (Renamed Foxconn Technology Group Co., Ltd. in December 2022.(Foxconn))	Other related party
ECMMS PRECISION SINGAPORE PTE.LTD.	Other related party
Chiun Mai Communication Systems, Inc.	Other related party
Futaijing Precision Electron (Beijing) Co., Ltd.	Other related party

Fitipower Integrated Technology Inc.
Notes to the Parent Company Only Financial Statements

2) Significant transactions with related parties

1. Operating revenue

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

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

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

2. Accounts receivable from related parties

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

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

Fitipower Integrated Technology Inc.
Notes to the Parent Company Only Financial Statements

3. Purchase

Details of the purchase from related parties are as follows:

	2022	2021
Other related party - Socle Technology	\$ 31	839,318

Unless there are comparable transactions for reference, the terms of the transaction are negotiated and agreed upon by both parties. Otherwise, the company will purchase from related parties at market prices. The payment term is 45 days after the end of the month, which is not significantly different from other vendors.

4. Accounts payable to related parties

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

Account Items	Type of Related Party	Dec 31, 2022	Dec 31, 2021
Accounts payable	Other related party - Socle Technology	\$ 32	-
Other accrued expenses	Subsidiarys - VISUAL SENSING TECHNOLOGY	-	6,548
		\$ 32	6,548

5. Property transaction

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

	2022	2021
Socle Technology	\$ -	14,442

As of December 31, 2022 and 2021, the payment for the above transactions has already been completed.

6. Rent expense

In December 2021, the Company entered into an office rental sharing agreement with its subsidiary, VISUAL SENSING TECHNOLOGY under which the Company leases office space from VISUAL SENSING TECHNOLOGY. The rent expense under the contract was \$4,277 thousand for the years ended December 31, 2021, and the outstanding amounts were \$4,277 thousand, which were recorded under other current liabilities. As of December 31, 2021, the remaining balance of lease liabilities was \$26,085 thousand. This contract was terminated in 2022, as all relevant rent expense and leasing liabilities from the contract have been paid.

7. Payment on behalf of others

In 2022 and 2021, VISUAL SENSING TECHNOLOGY, a subsidiary of the Company, advanced operating expenses of \$0 thousand and \$2,271 thousand respectively. As of December 31, 2022 and 2021, the payable amounts resulting from the above transactions were \$0 thousand and \$2,271 thousand respectively, and were recorded under

Fitipower Integrated Technology Inc.
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other current liabilities.

8. Donation expenses

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

(3) Transactions related to key management personnel

Key management personnel compensation includes:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 47,616	29,062
Post-employment benefits	108	108
Share-based payment	<u>-</u>	<u>967</u>
	<u>\$ 47,724</u>	<u>30,137</u>

Please refer to Note 6(16) for details of share-based payment.

8. Pledged assets: None.

9. Significant contingent liabilities and unrecognized contractual commitments

As of December 31, 2022 and 2021, the balances of the depositary guarantee notes issued by the Company to obtain short-term loans were \$4,755,175 and \$4,344,240, respectively.

10. Losses due to major disasters: None

11. Subsequent: None

Fitipower Integrated Technology Inc.
Notes to the Parent Company Only Financial Statements

12. Other

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

Function Nature	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Payroll expenses	50,737	1,522,216	1,572,953	45,487	1,434,708	1,480,195
Labor/Health insurance expenses	3,331	77,599	80,930	2,536	58,974	61,510
Pension expenses	1,362	40,883	42,245	1,150	34,006	35,156
Compensation of directors	-	1,107	1,107	-	858	858
Other employee benefit expenses	1,849	36,554	38,403	1,640	32,947	34,587
Depreciation expense	22,860	153,172	176,032	15,445	117,342	132,787
Amortization expense	-	36,312	36,312	18	9,800	9,818

Employee benefit expenses and employee number information of the Company in 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Number of employees	<u>580</u>	<u>559</u>
Number of directors who do not also work as employees	<u>5</u>	<u>5</u>
Average employee benefit expenses	<u>\$ 3,017</u>	<u>2,909</u>
Average employee payroll expenses	<u>\$ 2,736</u>	<u>2,672</u>
Adjustments to average employee payroll expenses	<u>2.40%</u>	<u>59.24%</u>
Compensation for supervisors	<u>\$ -</u>	<u>-</u>

The Company's compensation policy (including directors, supervisors, managers and employees) is as follows:

1. Directors' compensation: The compensation is paid in accordance with the appointment contract.
2. Employee and manager salaries: According to the Company's employment, payroll operations, and appraisal procedures.
3. Year-end bonuses for employees and managers: Two months based on their annual base salary, with the number of days of service calculated on a pro rata basis for those with less than one year of service.

Fitipower Integrated Technology Inc.
Notes to the Parent Company Only Financial Statements

13. Disclosure

(1) Information on significant transactions

In accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the Company should disclose the following information regarding material transactions:

1. Lending of funds to others: None
2. Provision of endorsement/guarantee:

Unit: NTS thousands

Number (Note 1)	Endorser	Endorsee		Endorsement and guarantee limit for a single company	Maximum balance for the period	Ending balance	Actual expenditure	Endorsement and guarantee amount by assets	Ratio of cumulative endorsement/guarantee amount to net worth as stated in the latest financial statements (%)	Maximum limit of endorsement and guarantee	Endorsement and guarantee from parent to subsidiary	Endorsement and guarantee from subsidiary to parent	Endorsement and guarantee for Mainland China
		Company name	Relationship (Note 2)										
1	Jadard Technology INC.	Hefei Jadard	2	3,207,172	184,260	184,260	-	-	1.06%	4,810,757	Y	N	Y

Note 1: The method for filling in the numbering column is as follows:

1. Fills in 0 as issuer.
2. The investee companies are sequentially numbered starting from 1 in Arabic numerals according to their company types.

Note 2: The relationship between the endorser and endorsee is as follows:

1. Companies with business relationships.
2. Companies in which the Company directly or indirectly holds over 50% of the voting rights.
3. Companies with direct or indirect ownership of over 50% of the voting rights of the Company.

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

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

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

Fitipower Integrated Technology Inc.
Notes to the Parent Company Only Financial Statements

3. Securities held at the end of the period (excluding investments in subsidiaries, affiliated companies, and joint ventures):

Unit: NT\$ thousands/ thousand shares

Holding Company	Marketable Securities Type/Name	Relationship with the Issuer	Line Item	At the End of Period				Remark
				Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Jadard Technology INC.	Zhong Dian Jing Cai Wei Microelectronics Co., Ltd.	-	Current financial assets at fair value through profit or loss	-	-	15.00 %	-	
The Company	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	239,118	3,291,506	-	3,291,506	
The Company	Union Money Market Fund	-	Current financial assets at fair value through profit or loss	118,404	1,588,489	-	1,588,489	
The Company	Allianz Global Investors Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	71,815	914,582	-	914,582	
The Company	Hua Nan Phoenix Money Market Fund	-	Current financial assets at fair value through profit or loss	51,883	857,077	-	857,077	
The Company	Taishin Ta- Chong Money Market Fund	-	Current financial assets at fair value through profit or loss	74,312	1,072,410	-	1,072,410	
The Company	Yuanta Wan Tai Money Market Fund	-	Current financial assets at fair value through profit or loss	32,871	505,204	-	505,204	
The Company	Yuanta De-Li Money Market Fund	-	Current financial assets at fair value through profit or loss	54,993	911,205	-	911,205	
Puyu Investment Co., Ltd.	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	25,487	350,839	-	350,839	
Pu Yu Investment Co., Ltd	Union Money Market Fund	-	Current financial assets at fair value through profit or loss	11,225	150,593	-	150,593	

4. Accumulated amount of buying or selling the same securities reaches NT\$300 million or more than 20% of the paid-in capital:

Unit: NT\$ thousands/ thousand shares

Company	Type and name of securities	Accounting item	Transaction counterparty (Note)	Relationship (Note)	Beginning balance		Purchases		Sales			Ending balance		
					Shares	Amount	Shares	Amount	Shares	Selling price	Carrying cost	Gain or loss on disposal	Shares	Amount
The Company	Beneficiary Certificate - Taishin 1699 Money Market Fund	Current financial assets at fair value through profit or loss	-	-	114,994	1,572,962	510,297	6,998,201	386,173	5,301,501	5,283,396	18,105	239,118	3,291,506
The Company	Beneficiary Certificate - Jih Sun Money Market Fund	Current financial assets at fair value through profit or loss	-	-	162,230	2,431,362	32,077	481,000	194,307	2,919,741	2,910,979	8,762	-	-
The Company	Beneficiary Certificate - Franklin Templeton Sinoam Money Market Fund	Current financial assets at fair value through profit or loss	-	-	84,218	880,385	-	-	84,218	882,363	879,877	2,486	-	-

Fitipower Integrated Technology Inc.
Notes to the Parent Company Only Financial Statements

The Company	Beneficiary Certificate - FSIIC Taiwan Money Market	Current financial assets at fair value through profit or loss	-	-	-	-	101,964	1,578,000	101,964	1,580,736	1,578,000	2,736	-	-
The Company	Beneficiary Certificate - Union Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	268,959	3,600,157	150,555	2,018,157	2,012,000	6,157	118,404	1,588,489
The Company	Beneficiary Certificate - Allianz Global Investors Taiwan Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	71,815	913,000	-	-	-	-	71,815	914,582
The Company	Beneficiary Certificate - Hua Nan Phoenix Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	51,883	855,000	-	-	-	-	51,883	857,077
The Company	Beneficiary Certificate - Taishin Taichong Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	74,312	1,071,000	-	-	-	-	74,312	1,072,410
The Company	Beneficiary Certificate - Yuanta Wan Tai Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	32,871	505,000	-	-	-	-	32,871	505,204
The Company	Beneficiary Certificate - Yuanta De-Li Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	54,993	910,000	-	-	-	-	54,993	911,205
Puyu Investment Co., Ltd.	Beneficiary Certificate - Taishin 1699 Money Market Fund	Current financial assets at fair value through profit or loss			-	-	25,487	350,000	-	-	-	-	25,487	350,839
The Company	Investment in the stock of a company not listed or traded O-T-C	Investments accounted for using the equity method	Pu Yu Investment Co., Ltd	Subsidiary	-	-	50,000	500,000	-	-	-	-	50,000	501,872

Note: For securities accounted for using the equity method, both of these columns must be filled in, and the others may be omitted.

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.
Notes to the Parent Company Only 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	Relationships	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	Credit period	Unit price	Loan period	Balance	Ratio to total amount of notes/ accounts receivable or payable	
Hefei Jadard	Jadard Technology Limited Taiwan Branch	Associate	Sales	530,201	3.68 %	120 days for monthly checkout	-	-	131,380	5.25%	
Hefei Jadard	Jadard Technology Limited	Associate	Sales	453,678	3.15 %	120 days for monthly checkout	-	-	28,390	1.14%	
Hefei Jadard	Jadard Technology INC.	Associate	Sales	1,487,720	10.33 %	120 days for monthly checkout	-	-	71,207	2.85%	

8. Receivables from Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More: None

Unit: NT\$ thousands

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

9. Engaged in derivative trading: Please refer to Note 6 (2) for details.

(2) Information related to investment in subsidiaries:

The information related to the investment in subsidiaries of the Company in 2022 (excluding subsidiaries invested in Mainland China) is as follows:

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	Remarks
				End of the period	End of last year	Thousand shares	Percentage of ownership	Note			
The Company	Trade Logic Limited	BVI	Investment	302,296	302,296	30	100.00%	4,280,162	313,647	313,647	Note
Trade Logic Limited	Ever Harvest Limited	Samoa	Investment	302,296	302,296	10,000	100.00%	4,280,162	313,647	313,647	Note
The Company	Vsual Sensing Technology Co., Ltd.	Hsinchu City	IC design	260,000	145,000	23,000	89.16%	106,358	(91,212)	(84,899)	Note
Jadard Technology INC.	Jadard Technology Limited	HK	General trade	270,264	270,264	9,200	100.00%	401,205	(134,208)	(134,208)	Note
The Company	Pu Yu Investment Co., Ltd.	Taipei City	Investment	500,000	-	50,000	100.00%	501,872	1,872	1,872	Note

Note: Subsidiaries of the Company with controlling power.

Fitipower Integrated Technology Inc.
Notes to the Parent Company Only Financial Statements

(3) Investment 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	Remittance or recovery of investment amount in the current period		Ending balance of accumulated outflow of investment from Taiwan	Net income (loss) of the investee	The Company's percentage of ownership directly or indirectly	Investment gains (losses) recognized in the current period (Note 2)	Carrying amount as of the end	Ending balance of accumulated inward remittance of earnings
					Outflow	Inflow						
Jadard Technology INC.	IC design	1,775,284 (Note 3)	(1)	302,296	-	-	302,296	526,610	55.04%	313,647	4,280,162	-
Hefei Jadard	Supply chain management	224,523 (Note 4)	(2)	-	-	-	-	4,533	55.04%	2,700	364,005	-
Xiamen Jadard	Supply chain management	4,344 (Note 5)	(2)	-	-	-	-	(1,513)	55.04%	(901)	1,974	-

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

(1) Reinvestment in mainland China companies through re-investment in existing companies in third regions (Trade Logic Limited and Ever Harvest Limited).

(2) The investment method refers to a direct investment by a mainland company in a mainland company.

Note 2: The investment income or loss is recognized on the basis of the financial statements audited by the parent company's certified public accountants in Taiwan.

Note 3: The paid-in capital was RMB 405,556 thousand, which was translated into NT\$1,775,284 thousand at the exchange rate at the time of investment.

Note 4: The paid-in capital was RMB 50,000 thousand, which was converted to NT\$224,523 thousand at the exchange rate at the time of investment.

Note 5: The paid-in capital was RMB 1,000 thousand, which was converted to NT\$4,344 thousand at the exchange rate at the time of investment.

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	10,436,828

Note: This is calculated based on the regulations amended by the Ministry of Economic Affairs on August 29, 2008, under the approval document No. 09704604680, which sets the limit on investment in Mainland China.

3. Significant transactions with Mainland China investees: None.

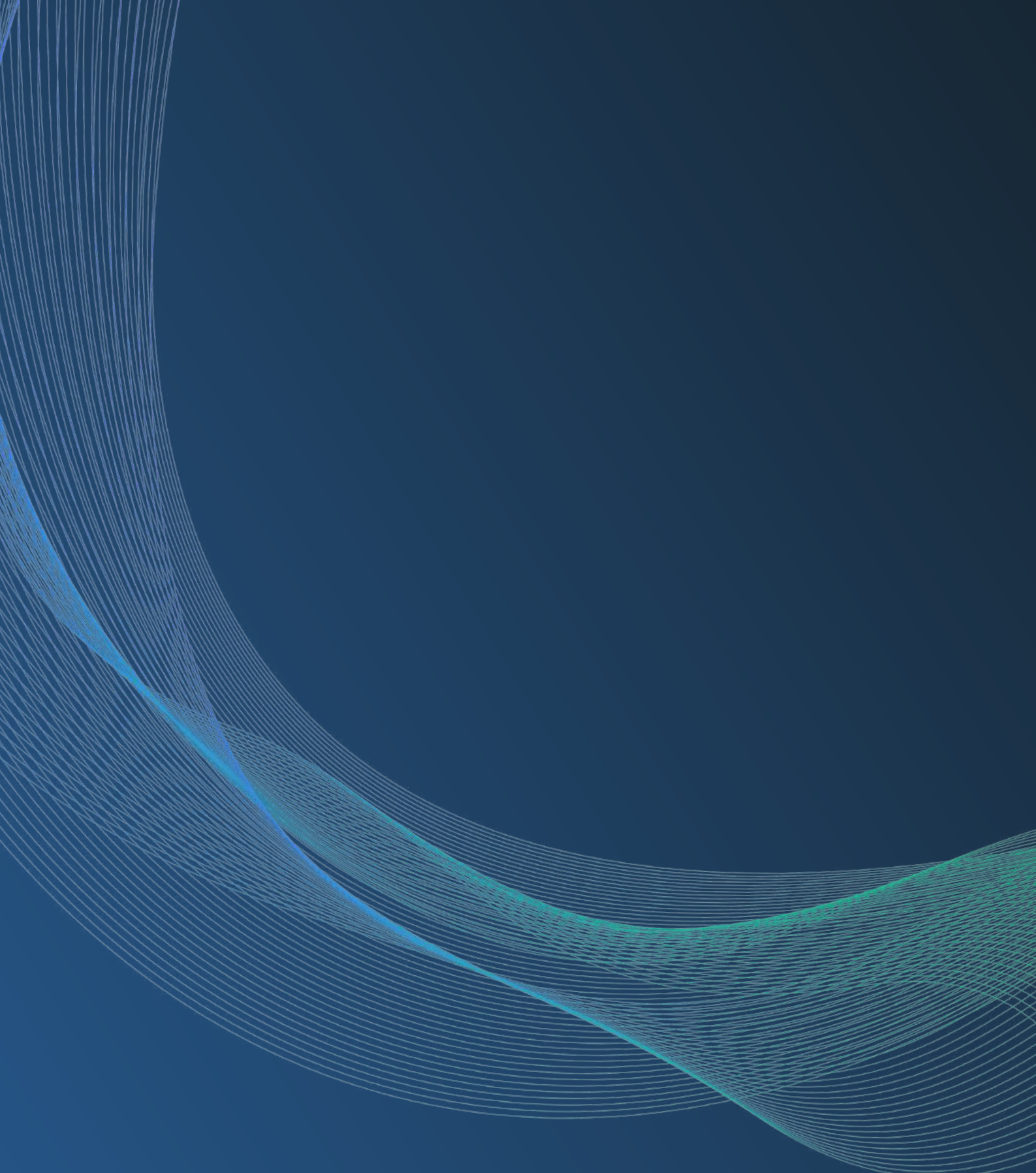
(4) Information of major shareholders:

Unit: Shares

Name of major shareholder	Share	Number of shares 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. Department information

Please refer to 2022 Consolidated Financial Statement.



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