Stock Code: 6531

AP Memory Technology Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019 and Independent Auditors' Report

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

Declaration of Consolidation of Financial Statements of Affiliates

We hereby declare that the companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of a parent and its subsidiaries under International Financial Reporting Standard 10 "Consolidated Financial Statements." Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of a parent and its subsidiaries. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Chairman and President:

Chen, Wen-Liang

Date: March 12, 2021

INDEPENDENT AUDITORS'S REPORT

The Board of Directors and Stockholders
AP Memory Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of AP Memory Technology Corporation and Subsidiaries (hereinafter referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprenehsive income, changes in equity and cash flows for the years then ended, and the 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 of December 31, 2020 and 2019, 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of the most significance in our audit of the Group's consolidated financial statements for the year ended 2020. 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.

Assessment of Allowance for Inventory Falling Price Loss

As of December 31, 2020, the carrying amount of the Group's inventories was NTD625,055, 000, which is a significant amount that accounts for 16% of the Group's total consolidated assets. As determining related allowance for inventory falling price loss is subject to management's judgement and the management of physical inventories as described in Note 4 (6) and Note 5 of the Group's consolidated financial statements, plus market competition can affect the estimation of the net realizable value of inventory, we considered the allowance for inventory falling price loss as a key audit matter.

Our main audit procedures performed in response to the key audit matter described above were as follows:

1. Understand inventory management related internal control systems and evaluate the design and implementation thereof.
2. Observe the annual inventory count to understand the status of slow-moving and damaged inventory; and further confirm whether to set relative loss of inventory falling price aside.
3. A test is carried out with the "Inventory Aging Report" and "Net Realizable Value of Inventories Report" used for the assessment. The test includes the verification of the report integrity and net realizable value; and recalculations for verifying the accuracy of related reports. In the meantime, a retrospective test is also carried out based on impairment loss incurred in the previous fiscal year and whether such loss will incur in the following years.

Other Matters

We have also audited the parent company only financial statements of AP Memory Technology Corporation as of and for the year ended 2020 and 2019 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 Reports by Securities Issuers and IFRS, IAS, IFRIC, and 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 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 auditors' 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 entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Group's consolidated financial statements for the year ended 2020 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.

Deloitte & Touche Taipei, Taiwan

CPA Chiu, Cheng-Chun

CPA Wu, Shih-Tsung

Date: March 12, 2021

AP Memory Technology Corporation and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2020 and 2019

(In Thousands of New Taiwan Dollars)

Code	Assets	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	$ 662,967	17	$ 584,264	18
1110	Financial assets at fair value through profit or loss - Current (Notes 4 and 7)	930,536	23	30,003	1
1136	Financial assets at amortized cost - Current (Notes 4, 8 and 33)	60,215	1	3,225	-
1170	Accounts receivable (Notes 4, 9, 23 and 32)	600,601	15	588,346	18
1200	Other receivables (Notes 4 and 9)	401,777	10	60,134	2
1220	Current tax assets (Note 4)	20,453	1	-	-
1310	Inventories (Notes 4, 5 and 10)	625,055	16	1,130,802	36
1470	Other current assets (Note 18)	8,423	-	31,341	1
11XX	Total current assets	3,310,027	83	2,428,115	76
	Non-current assets				
1510	Financial assets at fair value through profit or loss - Non-current (Notes 4 and 7)	68,016	2	45,179	1
1540	Financial assets at amortized cost - Non-current (Notes 4 and 8)	5,865	-	6,080	-
1550	Investments accounted for using equity method (Notes 4 and 13)	79,905	2	82,525	3
1600	Property, plant and equipment (Notes 4 and 14)	8,009	-	14,854	1
1755	Right-of-use assets (Notes 4 and 15)	46,096	1	23,026	1
1805	Goodwill (Notes 4 and 16)	-	-	76,204	2
1821	Other intangible assets (Notes 4 and 17)	35,103	1	107,709	3
1840	Deferred tax assets (Notes 4 and 25)	78,811	2	74,075	2
1915	Prepayments for business facilities	1,869	-	2,844	-
1920	Refundable deposits (Note 20)	208,547	5	206,686	7
1995	Other non-current assets (Note 18)	141,152	4	109,728	4
15XX	Total non-current assets	673,373	17	748,910	24
1XXX	Total assets	$ 3,983,400	100	$ 3,177,025	100
Code	**Liabilities and equity**				
	Current liabilities				
2100	Short-term loans (Note 19)	$ 130,613	3	$ 300,000	9
2170	Accounts payable	236,934	6	307,382	10
2200	Other payables (Notes 20 and 32)	332,738	8	142,760	5
2230	Current tax liabilities (Note 4)	132,617	3	108	-
2280	Lease liabilities - Current (Notes 4 and 15)	19,830	1	13,153	-
2300	Other current liabilities (Notes 20 and 23)	2,375	-	43,725	1
21XX	Total current liabilities	855,107	21	807,128	25
	Non-current liabilities				
2570	Deferred tax liabilities (Notes 4 and 25)	233	-	3,602	-
2580	Lease liabilities - Non-current (Notes 4 and 15)	25,090	1	8,974	1
2612	Long-term payables (Note 20)	-	-	194,764	6
25XX	Total non-current liabilities	25,323	1	207,340	7
2XXX	Total liabilities	880,430	22	1,014,468	32
	Equity (Notes 4, 22, 27 and 29)				
	Share capital				
3110	Ordinary share	742,316	19	738,535	23
3140	Advance receipts for ordinary share	532	-	-	-
3100	Total shares	742,848	19	738,535	23
3200	Capital surplus	1,020,722	25	838,388	26
	Retained earnings				
3310	Legal reserve	282,992	7	282,992	9
3320	Special reserve	4,576	-	3,225	-
3350	Unappropriated earnings	1,053,036	27	316,359	10
3300	Total retained earnings	1,340,604	34	602,576	19
	Other equity				
3410	Exchange differences on translation of foreign financial statements	10,042	-	(4,576)	-
3490	Unearned compensation cost	-	-	(1,120)	-
3400	Total other equity	10,042	-	(5,696)	-
3500	Treasury shares	(11,246)	-	(11,246)	-
31XX	Total equity attributable to shareholders of the Group	3,102,970	78	2,162,557	68
3XXX	Total equity	3,102,970	78	2,162,557	68
	Total liabilities and equity	$ 3,983,400	100	$ 3,177,025	100

The accompanying notes are an integral part of the consolidated financial statements.

AP Memory Technology Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(In Thousands of New Taiwan Dollars, except earning/ deficit per share)

Code		2020 Amount	2020 %	2019 Amount	2019 %
4000	Operating revenue (Notes 4, 23 and 32)	$ 3,549,497	100	$ 3,416,669	100
5000	Operating costs (Notes 10 and 24)	2,523,826	71	2,936,028	86
5900	Gross profit	1,025,671	29	480,641	14
	Operating expense (Notes 4 and 24)				
6100	Selling expense	86,707	2	85,491	3
6200	Administrative expense	103,602	3	86,488	3
6300	Research and development expense	313,530	9	313,161	9
6450	Expected credit loss	2,086	-	2,844	-
6000	Total operating expense	505,925	14	487,984	15
6900	Net operating income (loss)	519,746	15	(7,343)	(1)
	Non-operating income and expense				
7190	Other income	6,315	-	392	-
7060	Share of other comprehensive income of associates, accounted for using equity method (Notes 4 and 13)	4,948	-	8,605	-
7100	Interest income (Note 4)	6,348	-	3,630	-
7510	Interest expense	(2,803)	-	(4,482)	-
7020	Other gains and losses (Notes 4 and 24)	409,400	12	(355,159)	(10)
7880	Miscellaneous expenses	(3,599)	-	-	-
7000	Total non-operating income and expense	420,609	12	(347,014)	(10)
7900	Profit (loss) from continuing operations before tax	940,355	27	(354,357)	(11)
7950	Income tax expense recognized in profit or loss (Notes 4 and 25)	(124,985)	(4)	31,384	1
8000	Profit (loss) from continuing operations in the year	815,370	23	(322,973)	(10)

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Code		2020 Amount	2020 %	2019 Amount	2019 %
8100	Profit (loss) from discontinued operations (Note 11)	5,613	-	(72,092)	(2)
8200	Net profit (loss) for the year	820,983	23	(395,065)	(12)
	Other comprehensive income (Notes 4 and 22)				
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign financial statements	11,060	-	(1,351)	-
8300	Other comprehensive income for the year (net after income tax)	11,060	-	(1,351)	-
8500	Total comprehensive income for the year	$ 832,043	23	($ 396,416)	(12)
	Net profit (loss) attributed to:				
8610	The Company's shareholders	$ 811,710	23	($ 395,065)	(12)
8620	Non-controlling interest (Notes 11, 22 and 29)	9,273	-	-	-
8600		$ 820,983	23	($ 395,065)	(12)
	Comprehensive income attributed to:				
8710	The Company's shareholders	$ 822,735	23	($ 396,416)	(12)
8720	Non-controlling interest (Notes 11, 22 and 29)	9,308	-	-	-
8700		$ 832,043	23	($ 396,416)	(12)
	Earnings (losses) per share (Note 26)				
	From continuing and discontinued operations				
9750	Basic	$ 11.00		($ 5.33)	
9850	Diluted	$ 10.84		($ 5.33)	
	From continuing operations				
9710	Basic	$ 11.05		($ 4.36)	
9810	Diluted	$ 10.89		($ 4.36)	

The accompanying notes are an integral part of the consolidated financial statements.

AP Memory Technology Corporation and Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(In Thousands of New Taiwan Dollars)

		Ordinary share (Notes 4 and 21)				Capital surplus (Notes 4, 22,	Retained earnings (Notes 4 and 22)				Other equity interest (Notes 4, 11, 22 and 27)						
Code		Number of shares (in thousands)	Amount	Advance receipts for ordinary share	Total shares	27 and 29)	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translating the financial statements of foreign operations	Unearned compensation cost	Total	Treasury shares (Notes 4 and 23)	Total equity attributed to the Company's shareholders	Non-controlling interest (Notes 11 and 29)	Total equity
A1	Balance at January 1, 2019	75,280	$ 752,805	$ -	$ 752,805	$ 851,282	$ 271,445	$ 5,594	$ 781,918	$ 1,058,957	($ 3,225)	($ 10,102)	($ 13,327)	($ 11,246)	$ 2,638,471	$ -	$ 2,638,471
	Appropriation and distribution of earnings for the year 2018																
B1	Legal reserve	-	-	-	-	-	11,547	-	(11,547)	-	-	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	-	-	(2,369)	2,369	-	-	-	-	-	-	-	-
B5	Cash dividends distributed by the Corporation	-	-	-	-	-	-	-	(37,539)	(37,539)	-	-	-	-	(37,539)	-	(37,539)
T1	Compensation cost for employee share options	-	-	-	-	3,172	-	-	-	-	-	-	-	-	3,172	-	3,172
D1	Net profit for the year 2019	-	-	-	-	-	-	-	(395,065)	(395,065)	-	-	-	-	(395,065)	-	(395,065)
D3	Other comprehensive income after tax for the year 2019	-	-	-	-	-	-	-	-	-	(1,351)	-	(1,351)	-	(1,351)	-	(1,351)
D5	Total comprehensive income for the year 2019	-	-	-	-	-	-	-	(395,065)	(395,065)	(1,351)	-	(1,351)	-	(396,416)	-	(396,416)
N1	Issuance of ordinary shares under the employee share option plan	79	790	-	790	903	-	-	-	-	-	-	-	-	1,693	-	1,693
T1	Retirement of restricted stock awards (RSAs)	(6)	(60)	-	(60)	(421)	-	-	-	-	-	120	120	-	(361)	-	(361)
N1	Issuance of restricted stock awards (RSAs) by the Corporation	-	-	-	-	-	-	-	-	-	-	8,862	8,862	-	8,862	-	8,862
L1	Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	(55,325)	(55,325)	-	(55,325)
L3	Retirement of treasury shares	(1,500)	(15,000)	-	(15,000)	(16,548)	-	-	(23,777)	(23,777)	-	-	-	55,325	-	-	-
Z1	Balance at December 31, 2019	73,853	738,535	-	738,535	838,388	282,992	3,225	316,359	602,576	(4,576)	(1,120)	(5,696)	(11,246)	2,162,557	-	2,162,557
	Appropriation and distribution of earnings for the year 2019																
B1	Special reserve	-	-	-	-	-	-	1,351	(1,351)	-	-	-	-	-	-	-	-
B5	Cash dividends distributed by the Corporation	-	-	-	-	-	-	-	(73,682)	(73,682)	-	-	-	-	(73,682)	-	(73,682)
T1	Compensation cost for employee share options	-	-	-	-	10,365	-	-	-	-	-	-	-	-	10,365	(401)	9,964
D1	Net profit for the year 2020	-	-	-	-	-	-	-	811,710	811,710	-	-	-	-	811,710	9,273	820,983
D3	Other comprehensive income after tax for the year 2020	-	-	-	-	-	-	-	-	-	11,025	-	11,025	-	11,025	35	11,060
D5	Total comprehensive income for the year 2020	-	-	-	-	-	-	-	811,710	811,710	11,025	-	11,025	-	822,735	9,308	832,043
M3	Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(22,979)	(22,979)
M5	Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	153,042	-	-	-	-	3,593	-	3,593	-	156,635	14,072	170,707
M7	Changes in ownership interests in subsidiaries	-	-	-	-	401	-	-	-	-	-	-	-	-	401	-	401
N1	Issuance of ordinary shares under the employee share option plan	378	3,781	532	4,313	18,526	-	-	-	-	-	-	-	-	22,839	-	22,839
N1	Issuance of restricted stock awards (RSAs) by the Corporation	-	-	-	-	-	-	-	-	-	-	1,120	1,120	-	1,120	-	1,120
Z1	Balance at December 31, 2020	74,231	$ 742,316	$ 532	$ 742,848	$ 1,020,722	$ 282,992	$ 4,576	$ 1,053,036	$ 1,340,604	$ 10,042	$ -	$ 10,042	($ 11,246)	$ 3,102,970	$ -	$ 3,102,970

The accompanying notes are an integral part of the consolidated financial statements.

AP Memory Technology Corporation and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(In Thousands of New Taiwan Dollars)

Code		2020	2019
	Cash flows from operating activities		
A00010	Income from continuing operations before income taxes	$ 940,355	($ 354,357)
A00020	Income from discontinued operations before income taxes	5,619	(71,590)
A10000	Income before taxes for the year	945,974	(425,947)
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expense	22,966	52,424
A20200	Amortization expense	37,497	27,045
A20300	Expected credit loss	2,086	2,844
A20400	Valuation gain on financial assets at fair value through profit or loss	(48,141)	(3)
A20900	Interest expense	2,733	4,604
A21200	Interest income	(6,348)	(3,652)
A21300	Dividend income	(155)	-
A21900	Cost of share-based payment	11,485	11,673
A22300	Share of profit (loss) of associates accounted for using equity method	(4,948)	(8,605)
A22500	Loss on disposal and scrap of property, plant and equipment	142	-
A23100	Gain (on disposal of assets	(422,810)	1,537
A23200	Gains on disposal of associates accounted for using equity method	(461)	-
A23700	Loss of inventory falling price and slow-moving inventory	26,333	2,036
A24100	Unrealized foreign exchange loss	26,954	8,422
A29900	Reserve for customer complaint loss	-	342,309
A29900	Loss on lease contract	116	-
A30000	Changes in operating assets and liabilities		
A31115	Decrease (increase) in financial assets mandatorily measured at fair value through profit or loss	(884,193)	(75,179)
A31150	Notes and accounts receivable	(194,001)	163,094
A31180	Other receivables	28,129	(24,344)
A31200	Inventories	157,398	747,763
A31240	Other assets	(8,099)	134,470
A31990	Refundable deposits	-	(200,000)
A32150	Accounts payable	151,522	(326,329)
A32180	Other payables	(3,856)	(112,281)
A32230	Other current liabilities	(3,593)	23,122
A33000	Cash inflow (outflow) generated from operations	(163,270)	345,003

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s		2020	2019
A33100	Interest received	5,382	2,703
A33200	Dividend received	155	-
A33300	Interest paid	(2,883)	(4,597)
A33500	Income taxes paid	(21,040)	(35,613)
AAAA	Net cash inflow (outflow) generated from operating activities	(181,656)	307,496
	Cash flows from investing activities		
B00400	Acquisition of financial assets at amortized cost	(57,435)	(6,110)
B01800	Acquisition of investment accounted for using equity method	(500)	-
B02300	Proceeds from disposal of subsidiaries (Note 28)	451,200	-
B02700	Purchase of property, plant and equipment	(4,531)	(4,590)
B02800	Disposition of Property, plant and equipment	1,191	-
B03800	Decrease (increase) in refundable deposits	(3,754)	1,535
B04500	Acquisition of intangible assets	(27,548)	(10,824)
B07100	Increase in prepayments for business facilities	(17,293)	(470)
B07600	Dividends received from associates	7,740	7,920
B09900	Issuance of financial liabilities measured at fair value through profit or loss	9,753	-
BBBB	Net cash flows from (used in) investing activities	358,823	(12,539)
	Cash flows from financing activities		
C00200	Decrease in short-term loans	(172,566)	(150,000)
C04020	Payment of lease liabilities	(14,494)	(18,697)
C04500	Cash dividend paid	(73,682)	(37,539)
C04800	Exercise of employee share options	22,839	1,693
C04900	Payments to acquire or redeem entity's shares	-	(55,325)
C05500	Disposal of ownership interests in subsidiaries (without loss of control)	140,447	-
CCCC	Net cash flows used in financing activities	(97,456)	(259,868)
DDDD	Effect of exchange rate changes on cash and cash equivalents	(1,008)	(2,870)
EEEE	Net increase in cash and cash equivalents	78,703	32,219
E00100	Cash and cash equivalents at the beginning of the year	584,264	552,045
E00200	Cash and cash equivalents at the end of the year	$ 662,967	$ 584,264

The accompanying notes are an integral part of the consolidated financial statements.

AP Memory Technology Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. General Information

AP Memory Technology Corporation (hereinafter referred to as "the Corporation") was incorporated on August 4, 2011, upon approval of the Ministry of Economic Affairs. The Corporation mainly engages in the research, development, production and sale of various integrated circuit (IC) products; and provides technical services related to the product design, research and development.

Upon approval of Taipei Exchange (TPEx) in June 2015, the Corporation started trading on TPEx's Emerging Stock Board; and then trading on Taiwan Stock Exchange (TWSE) on May 31, 2016.

The parent company only financial statements are presented in the Corporation's functional currency, the New Taiwan dollar.

The consolidated financial statements are presented in the Corporation's functional currency, the New Taiwan dollar.

2. Approval of Financial Statements

The consolidated financial statements were approved by the Corporation's board of directors on March 12, 2021.

3. Application of New, Amended and Revised Standards and Interpretations

a. Initial application to International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (hereinafter collectively referred to as the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Whenever applied, the initial applications of the amendments to IFRSs endorsed by FSC would not have any material impact on the Group's accounting policy.

b. Applicable IFRSs endorsed by FSC in 2021

Newly released, amended or revised standards and interpretations	Effective date issued by IASB
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	Effective on the date of promulgation
Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS)	Effective for annual reporting periods beginning on or after January 1, 2022
Covid-19-Related Rent Concessions (Amendment to IFRS 16)	Effective for annual reporting periods beginning on or after June 1, 2022

According to the Group's evaluation, amendments to the above standards and interpretations would not cause significant changes to the Group's accounting policies.

c. IFRSs that have been issued by International Accounting Standards Board (IASB) without being endorsed and issued into effect by FSC

Newly released, amended or revised standards and interpretations	Effective date issued by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendment to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendment to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Undefined
"Insurance Contract" of IFRS 17	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendment to IAS 1 "Classifying liabilities as current or non-current"	January 1, 2023
Amendment to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendment to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendment to IAS 16 "Property, plant and equipment Proceeds before intended use"	January 1, 2022 (Note 4)
Amendment to IAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

Note 1: Except for separate notes, the above newly released, amended or revised standards or interpretations shall become effective for annual reporting periods beginning on or after the specified dates.

Note 2: Amendments to IFRS 9 are applicable to exchanges or modified terms of financial liabilities incurred during annual reporting period beginning on or after January 1, 2022; amendments to "IAS 41 Agriculture" are applicable to fair value measurements incurred during annual reporting period beginning on or after January 1, 2022; and amendments to "First-time adoption of International Financial Reporting Standards (IFRS)" are applied retrospectively during annual reporting period beginning on or after January 1, 2022.

Note 3: The Corporation shall apply the amendment to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendment shall be applied retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the first annual reporting period beginning on or after January 1, 2021.

Note 5: The Corporation shall apply the amendment to contracts for which the Corporation has not yet fulfilled all its obligations at the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 6: The effective date of the amendment shall be delayed to annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendment shall be applied to changes in accounting estimates and accounting policy at the beginning of the annual reporting period beginning on or after January 1, 2023.

As of the issue date of the consolidated financial statements, the Group still continuously evaluate the impact of the aforesaid standard and interpretation amendments to the Group's financial position and financial performance. Relevant effects will be exposed upon completion of the evaluation.

4. Summary of Significant Accounting Policies

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs recognized and promulgated by Financial Supervisory Committee (FSC).

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;
2) Assets expected to be realized within 12 months after the reporting period; and
3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;
2) Liabilities due to be settled within 12 months after the reporting period, and
3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d.. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e., subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income, and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

When the Group loses control over the subsidiary, a gain or loss is calculated as the difference between: (1) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and (2) the previous carrying amount of the assets (including any goodwill) and liabilities of the subsidiary and any non-controlling interests. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

See Note 21 and Appendices 8 and 9 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

In preparing the Corporation's parent company only financial statements, transactions in currencies other than the Corporation's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in

which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are retranslated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of foreign operations (including the Corporation's subsidiaries that are located in a different country or use different currency) are translated into the presentation currency - the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

For the disposal of the Group's foreign ownership interests, the currency translation differences accumulated in equity will be reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, supplies, work-in-process and finished goods. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are calculated using the weighted average method.

g. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the Group ceases to have significant influence over an associate. When the Group retains an interest in the former associate, the Group measures the retained interest at fair value at that date. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized only in the parent company only financial statements only to the extent of interests in the associate that are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of property, plant, equipment, right-of-use assets and intangible assets (except goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant, equipment, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Disposal groups held for sale

A disposal group should be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The disposal group classified as held for sale must be available for immediate sale in its present condition and its sale must be highly probable. When the appropriate level of management committed to a plan to sell the asset (or disposal group) and the sale is expected to qualify for recognition as a completed sale within one year from the date of classification, the asset is identified as highly probable.

If an entity's control over the subsidiary is lost when selling the disposal group, the assets and liabilities of the subsidiary shall be classified as held for sale regardless of whether the non-controlling interest therein will be retained.

A disposal group classified as held for sale is measured at the lower of the carrying amount and fair value less costs to sell, and should not be depreciated.

m. Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and represents either a separate major line of business or a geographical area of operations

Profits or losses of discontinued operations in prior periods shall be fully expressed in the consolidated statements of comprehensive income to disclose its relation with the discontinued operations of the current period.

n. Financial instruments

Financial assets and financial liabilities are recognized in consolidated balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

Financial assets possessed by the Group are classified into financial assets at fair value through profit or loss (FVTPL) and financial assets at amortized cost.

i. Financial assets at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include equity instrument investments that the Group has not specified to be Measured at FVTPL through other comprehensive income and investments in debt instruments that do not meet the amortized cost criteria or the fair value through other comprehensive income (FVTOCI) criteria.

Financial assets at FVTPL are subsequently measured at fair value, with dividends, interest and any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 27.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
ii) 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.

Subsequent to initial recognition, financial assets at amortized cost, including cash, debt investments at amortized cost, accounts receivable, other receivables and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit-impaired when the issuer or debtor suffers from a major financial difficulty; contract violation takes place; the debtor can possibly file for bankruptcy or financial organization; or the active market of financial assets disappears due to financial difficulty.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value; and bonds with repurchase agreements. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Group always recognizes lifetime Expected Credit Loss (i.e., ECLs) for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

If the Group, oriented to the objective of internal credit risk management, determines that the debtor is incapable to pay off debts based on internal or external information without considering its possessed collaterals, it indicates that the financial asset has defaulted.

The Group recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received is recognized in profit or loss.

2) Equity instruments

Liability and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definition of financial liability and equity instruments.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Corporation's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

o. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from the sales of integrated circuit (IC) products. Revenue and receivables from the sale of goods are recognized when trade terms are fulfilled because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility to sales to future customers and bears the risk of obsolescence.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from providing design and R&D related technical services in accordance with customer contract specifications and are recognized depending on the fulfillment of performance criteria.

p. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

<u>The Group as lessee</u>

Except for short-term leases and low-value asset leases which are recognized as expense on straight-line basis over the lease terms, the Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Subsequently, the right-of-use assets are measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in consolidated balance sheet.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprises fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If implicit rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in consolidated balance sheet.

q. Employee benefits

1)Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

r. Share-based payment arrangements

The fair value at the grant date of the employee share options is expensed on the straight-line basis over the vesting period, based on the Group's best estimates of the number of options or options that are expected to ultimately vest, with a corresponding adjustment to capital surplus – employee share options or other equity (unearned compensation cost). It is recognized as an expense in full at the grant date if vested immediately.

When restricted shares for employees are issued, other equity - employees' unearned compensation are recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees.

At the end of each reporting period, the Group revises its estimate of the number of employee share options and RSAs expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that cumulative expense reflects the revised estimate, with a corresponding adjustment to capital surplus – employee share options or capital surplus - RSAs.

s. Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the R.O.C., an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and

recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sale of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	$ 98	$ 118
Checking accounts and demand deposits	662,869	524,186
Cash equivalents (investments with original maturities of three months or less)		
Bonds with repurchase agreements	-	59,960
	$ 662,967	$ 584,264

The interest rate intervals of the time deposits at the end of the reporting period were as follows:

	December 31, 2020	December 31, 2019
Bank deposit	0.001%-0.30%	0.05%-0.48%

7. Financial instruments at FVTPL

	December 31, 2020	December 31, 2019
Financial Assets - Current		
Non-derivative financial assets		
- Trust fund beneficiary certificates	$ 930,536	$ 30,003
Financial Assets – Non-current		
Non-derivative financial assets		
- Domestic and foreign unlisted (non-OTC) stocks		
Haining Changmeng Tachnology Partnership Enterprise (Limited Partnership) (a)	$ 27,243	$ 30,029
Powerchip Semiconductor Manufacturing Corp. (b)	39,984	15,150
GeneASIC Technologies Corporation (c)	789	-
	$ 68,016	$ 45,179

a. The Group signed an investment agreement with Haining Changmeng Tachnology Partnership Enterprise (Limited Partnership) (hereinafter referred to as Haining Changmeng) in August 2019. With a total investment of RMB6,900 thousand (24.64%), the Group does not have the ability to influence relevant activities and therefore does not have relevant significant influence.

b. The Group acquired 1,500 thousand ordinary shares of Powerchip Semiconductor Manufacturing Corp. (hereinafter referred to as PSMC), counting 0.048% of PSMC's issued shares, in August 2019 at the price of $15,150 thousand. Later in June 2020, the Group sold 700,000 shares at $15,775 thousand, produced realized benefits of 8,705 thousand. As of December 31, 2020, the Group possesses 0.026% of PSMC's issued shares.

c. In August 2020, the Group acquired 50 thousand ordinary shares of GeneASIC Technologies Corporation (hereinafter referred to as GeneASIC) with a in August 2020 at the price of $500 thousand. The shareholding ratio thereof is 20% and this investment is listed as investments accounted for using equity method. Nevertheless, as the Group failed to participate in GeneASIC's seasoned equity offering (SEO) in December 2020, its shareholding ratio therefore dropped to 19.05%. As such change has affected the Group's significant influence over GeneASIC, investments to GeneASICs are measured at fair value and are recognized as financial assets at fair value through profit or loss. The difference with the carrying value is $461 thousand, which is recognized as gains on disposal of fixed assets.

8. Financial assets at amortized cost

	December 31, 2020	December 31, 2019
Current		
Time deposits with the original maturity of more than 3 months.	$ 60,215	$ 3,225
Non-current		
Time deposits with the original maturity of more than 3 months.	$ 5,865	$ 6,080

Please refer to Note 33 for information relating to investments

9. Notes receivable, accounts receivable and other receivables

	December 31, 2020	December 31, 2019
Accounts receivable (a)		
Measured at amortized cost		
Gross carrying amount	$ 602,687	$ 591,084
Less: Allowance for impairment loss	(2,086)	(2,738)
	$ 600,601	$ 588,346
Other receivables (b)		
Loans receivable		
Fixed interest rate	$ 381,523	$ -
Tax receivable	19,198	56,485
Purchase discount receivable	-	3,568
Others	1,056	81
	$ 401,777	$ 60,134

a. Accounts receivable

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of trade debts at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amount. In this regard, the management believes that the Group's credit risk was significantly reduced.

The Group measures the impairment loss allowance for accounts receivable at an amount equal to lifetime expected credit losses (ECLs). The ECLs on accounts receivable are estimated by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for impairment loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off an account receivable when there is information indicating that the debtor is in server financial difficulty and there is no realistic prospect of recovery. For accounts receivable that has been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the impairment loss allowance of accounts receivable based on the Group's assessment:

December 31, 2020

	Not past due	Due in 1 – 30 days	Due in 31 – 60 days	Due in 61 – 90 days	Due in 91 – 180 days	Due in 181 – 360 days	Due in more than 360 days	Total
Gross carrying amount	$537,424	$ 27,386	$ 35,075	$ -	$ 2,802	$ -	$ -	$602,687
Allowance for impairment loss (lifetime ECL)	-	-	-	-	(2,086)	-	-	(2,086)
Amortized cost	$537,424	$ 27,386	$ 35,075	$ -	$ 716	$ -	$ -	$600,601

December 31, 2019

	Not past due	Due in 1 – 30 days	Due in 31 – 60 days	Due in 61 – 90 days	Due in 91 – 180 days	Due in 181 – 360 days	Due in more than 360 days	Total
Gross carrying amount	$500,595	$ 65,318	$ 17,877	$ 4,556	$ -	$ -	$ 2,738	$591,084
Allowance for impairment loss (lifetime ECL)	-	-	-	-	-	-	(2,738)	(2,738)
Amortized cost	$500,595	$ 65,318	$ 17,877	$ 4,556	$ -	$ -	$ -	$588,346

The movements in the impairment loss allowance of accounts receivable are as follows:

	2020	2019
Balance at the beginning of the year	$ 2,738	$ -
Add: Impairment loss recognized for the year	2,086	2,844
Less: Disposal of subsidiaries (Note 28)	(2,738)	-
Foreign exchange in gains and losses	-	(106)
Balance at the end of the year	$ 2,086	$ 2,738

b. Other receivables - Loans receivable

The interest rate exposure and contract expiry date of the Group's fixed-rate loans receivable are as follows (December 31, 2019: None):

	December 31, 2020
Fixed-rate loans receivable	
No more than 1 year	$ 381,523

The Group's contractual interest rate on loans receivable is 0.37%. For more information, please refer to "Financing Provided to Others" in Appendix 1.

10. Inventories

	December 31, 2020	December 31, 2019
Finished goods	$ 156,564	$ 386,789
Work-in-process goods	263,186	366,026
Raw materials	205,305	377,987
	$ 625,055	$ 1,130,802

The nature of operating costs is as follows:

	2020	2019
Cost of inventories sold	$ 3,453,684	$ 2,933,990
Cost of service	1,231	1,875
Inventory devaluation	26,333	2,036
Less: Amounts transferred to discontinued operations	(957,422)	(1,873)
	$ 2,523,826	$ 2,936,028

11. Discontinued operations

In response to the Group's strategic development, the Group successively transferred the business of its subsidiary "Zentel Electronics Corp." (hereinafter referred to as "Zentel Electronics") to another subsidiary Zentel Japan Corp. (hereinafter referred to as "Zentel Japan") for integration since Q4 of 2019.

The Group further sold 24% equity interest of Zentel Japan to Eaglestream Technology Holdings (Hong Kong) Limited (hereinafter referred to as "EGST Ltd.") and Powerchip Technology Co., Ltd. (hereinafter referred to as "PTC") on January 2, 2020. The contract price was US$6,000 thousand, including the equity price of US$5,675 thousand and options given to trading participants (US$325 thousand). The said options were assessed by a third-party assessor on January 2, 2020 as the record date. Those who acquire the option according to the purchase agreement may exercise the following rights: Some buyers may exercise a mandatory call option to acquire a specific proportion of shares within 15 months after the closing date; when failing to reach specific requirements, buyers may exercise a stock put option within 15 to 18 months from the closing date; and Zentel Electronics may, when the aforesaid options are not exercised, exercise a stock call option within 18 to 21 months after the closing date. As equity trading does not result in any loss of control, it shall be handled as equity transaction. Please refer to Note 29.

The aforesaid purchase agreement only agrees on EGST Ltd.'s eligibility of exercising mandatory call option. Nevertheless, EGST Ltd. and PTC have jointly requested for jointly exercising a mandatory call option. The said proposal was accepted by the Group's board of directors on September 26, 2020. It was decided that the Group would sell its remaining 76% shares of Zentel Japan to EGST Ltd. and PTC; and that the Corporation's president was authorized to handle matters related to the agreement and settlement. The Group sold the remaining shares on November 30, 2020 at US$22,800,000. Zentel Japan, which complies with the definition of discontinued operations, is therefore expressed as discontinued operations since then.

The income and cash flow of discontinued operations are as follows:

	From January 1 to November 30, 2020	2019
Operating revenue	$ 1,123,125	$ 45,976
Operating costs	(957,423)	(1,873)
Gross profit	165,702	44,103
Research and development expense	(158,143)	(116,133)
Selling expense	(6,175)	-
Administrative expense	(7,827)	-
Operating loss	(6,443)	(72,030)
Non-operating income and expenses	12,062	440
Income before taxes	5,619	(71,590)
Income tax expense	(6)	(502)
Profit (loss) from discontinued operations	$ 5,613	($ 72,092)
Profit (loss) from discontinued operations that belong to:		
The Company's shareholders	($ 3,660)	($ 72,092)
Non-controlling interest	9,273	-
	$ 5,613	($ 72,092)
Cash flow from		
Operating activities	$ 137,253	$ 37,474
Investing activities	-	(347)
Financing activities	(3,484)	(4,517)
Effects of exchange rate change on cash	(765)	(1,133)
Net cash inflow	$ 133,004	$ 31,477

The carrying amounts of Zentel Japan's assets and liabilities are disclosed in Note 28.

12. Subsidiaries

Subsidiaries included in the consolidated financial statements.

The main body of the consolidated financial statements is as follows:

Investor	Subsidiary	Business nature	% of ownership December 31, 2020	% of ownership December 31, 2019	Descriptions
The Corporation	AP Memory Corp, USA (hereinafter referred to as "AP-USA")	IC research and development services	100%	100%	(1)
The Corporation	AP MEMORY HOLDING Co., Ltd. (hereinafter referred to as "AP-HOLDING")	Investment related services	-	100%	(2)
The Corporation	Zentel Electronics	IC research, development and sales	100%	100%	(3)
The Corporation	AP Memory Technology (Hangzhou) Limited Co. (hereinafter referred to as "AP Hangzhou")	IC research, development and sales	100%	100%	(4)
The Corporation	AP Memory Japan G.K. (hereinafter referred to as "AP Japan")	Sale of ICs	-	-	(5)
AP-HOLDING	AP Electronics (Beijing) Co., Ltd. (hereinafter referred to as "AP Beijing")	Technical consulting and services of ICs	-	100%	(6)
Zentel Electronics	Zentel Japan	IC research, development and sales	-	100%	(7)
Zentel Electronics	Zentel Electronics (Shenzhen) Co., Ltd. (hereinafter referred to as "Zentel Shenzhen")	Sale of ICs	-	-	(8)
AP Hangzhou	AP Memory Technology (Hong Kong) Co. Limited (hereinafter referred to as "AP Hong Kong")	Sale of ICs	-	-	(9)

a. Established in State of Oregon of the United States in February 2012, AP-USA mainly engages in the research and development of integrated circuits (ICs). As of March 12, 2021, the Corporation already contributed US$2,000 thousand of capital thereto.

b. To cope with the growth and operational deployment planning of reinvested enterprises, the Corporation established a subsidiary – "AP-HOLDING" – in the Republic of Seychelles in April 2015. Through the reinvestments of AP-HOLDING, the Corporation then established AP Beijing. AP-HOLDING mainly engages in investments related affairs.

In the consideration of operational adjustments, the Group reached a decision on March 2, 2020 to sell the full equity ownership of AP-Holding; and, on March 20, 2020, the AP-Holding was settled at US$230 thousand. Please refer to Note 28 for more information.

c. To integrate all resources and optimize the synergy of economies of scale, the Corporation's board of directors reached a decision on September 2, 2016 to publicly purchase the ordinary shares of Zentel Electronics. As of the expiry date of the acquisition period, the Corporation totally purchased 55.24% equity interest of Zentel Electronics at the price of $544,291 thousand. Later on June 19, 2017, the Corporation then, upon resolution of the board of directors, acquire the remaining equity of Zentel Electronics (counting 44.76%) at the price of $441,050 thousand via cash consideration in accordance with Business Mergers And Acquisitions Act. Up until now, the Corporation already purchased the full equity of Zentel Electronics. Zentel Electronics engages in the design, development and sale of ICs. To plan the operations and enhance the capital use efficiency of Zentel Electronics, the Corporation reached a decision to reduce the capitalization by

41.14% and return the share money of $279,533 thousand. The record date for revere split was August 9, 2019 and the said amendment has been registered. With respect to Zentel Electronics' business adjustments made in response to the Group's overall strategy, please refer to Note 11. As of March 12, 2021, Zentel Electronics' paid-in capital is $400,000 thousand.

d. Established in Hangzhou in December 2017, AP Hangzhou mainly engages in the design, development and sale of ICs. In 2019, the Corporation contributed US$250 thousand of capital thereto. As of March 12, 2021, AP Hangzhou's paid-in capital is amounted US$1,000 thousand.

e. AP Japan was established in September 2019 in Japan to promote the sale of ICs. In the consideration of operational adjustments, the Corporation reached a decision on the dissolution of AP Japan on September 18, 2020 and completed the amendment registration on November 2, 2020.

f. Established in October 2015, AP Beijing mainly engages in technical consulting and services of ICs. After the Group sold AP-HOLDING on March 20, 2020, it simultaneously lost control over AP Beijing, which is 100% owned by AP-HOLDING.

g. Established in September 2003 in Japan, Zentel Japan mainly engages in the development, design and sale of ICs. To comply with the Group's strategy, the Group made business adjustments, where Zentel Japan was sold on November 30, 2020. For detailed information, please refer to Note 11.

h. Established Zentel Shenzhen in April 2015, Zentel Electronics mainly engages in the sale of ICs. Considering the Group's business plan, the Group reached a decision to liquidate Zentel Shenzhen on August 9, 2019; and completed liquidation in August 2019 with a loss of $1,537,000.

i. AP Hangzhou established AP Memory Technology (Hong Kong) Co. Limited, a company primarily engages in the sale of ICs, in October 2019 in Hong Kong. As of March 12, 2021, AP Hangzhou has not yet invested any capital thereto.

13. Investments accounted for using equity method

	December 31, 2020	December 31, 2019
Investments in associate		
Individually insignificant associates		
Lyontek Inc. (hereinafter referred to as "Lyontek")	$ 79,905	$ 82,525

Information related to the Group's associates is summarized below:

	2020	2019
Shares held by the Group		
Net profit for the year	$ 4,948	$ 8,605
Total comprehensive income	$ 4,948	$ 8,605

The Group owns 30% of Lyontek's share. The goodwill of $2,610 thousand arose from the investment in Lyontek is recognized as the cost of investments in associates.

In August 2020, the Group acquired 500 thousand shares of GeneASIC at the price of NT$500 thousand in August 2020. The said investment was originally recognized as investments accounted for using equity method; and was changed to financial assets at fair value through profit or loss in December 2020. Please refer to Note 7 (3) for more information.

14. Property, plant and equipment

	Machinery and equipment	Computer and communications equipment	Office equipment	Leasehold improvement	Total
Cost					
Balance at January 1, 2020	$ 109,310	$ 8,950	$ 7,619	$ 5,815	$ 131,694
Addition	2,724	125	562	1,120	4,531
Disposal	(595)	(885)	(2,162)	(239)	(3,881)
Disposal of subsidiaries (Note 28)	(7,721)	(205)	(425)	-	(8,351)
Net exchange differences	44	(47)	38	22	57
Balance at December 31, 2020	103,762	7,938	5,632	6,718	124,050
Accumulated depreciation					
Balance at January 1, 2020	102,252	5,876	5,240	3,472	116,840
Depreciation expense	4,006	1,894	1,232	1,896	9,028
Disposal	(514)	(818)	(989)	(227)	(2,548)
Disposal of subsidiaries (Note 28)	(6,737)	(195)	(376)	-	(7,308)
Net exchange differences	23	(34)	22	18	29
Balance at December 31, 2020	99,030	6,723	5,129	5,159	116,041
Net at December 31, 2020	$ 4,732	$ 1,215	$ 503	$ 1,559	$ 8,009
Cost					
Balance at January 1, 2019	$ 105,876	$ 8,454	$ 7,617	$ 5,389	$ 127,336
Addition	3,513	529	71	477	4,590
Net exchange differences	(79)	(33)	(69)	(51)	(232)
Balance at December 31, 2019	109,310	8,950	7,619	5,815	131,694
Accumulated depreciation					
Balance at January 1, 2019	76,509	2,845	3,534	1,660	84,548
Depreciation expense	25,805	3,055	1,733	1,832	32,425
Net exchange differences	(62)	(24)	(27)	(20)	(133)
Balance at December 31, 2019	102,252	5,876	5,240	3,472	116,840
Net at December 31, 2019	$ 7,058	$ 3,074	$ 2,379	$ 2,343	$ 14,854

Depreciation expense is calculated on a straight-line basis over the estimated useful lives as follows:

Machinery and equipment	2 to 5 years
Computer and communications equipment	3 to 7 years
Office equipment	3 to 7 years
Leasehold improvement	3 to 5 years

15. Lease Agreements

a. Right-of-use assets

	December 31, 2020	December 31, 2019
Carrying amounts of right-of-use assets		
Building	$ 12,479	$ 23,026
Machinery and equipment	$ 33,617	-
	$ 46,096	$ 23,026

	2020	2019
Increase of the right-of-use assets	$ 40,469	$ 17,512
Depreciation expense of the right-of-use asset		
Building	$ 12,779	$ 19,999
Machinery and equipment	1,159	-
Less: Depreciation expense of discontinued operations	(3,474)	(4,559)
	$ 10,464	$ 15,440

b. Lease liabilities

	December 31, 2020	December 31, 2019
Carry amounts of lease liabilities		
Current	$ 19,830	$ 13,153
Non-current	$ 25,090	$ 8,974

The discount rate intervals of lease liabilities are as follows:

	December 31, 2020	December 31, 2019
Building	1.68%~3.58%	1.68%~3.58 %
Machinery and equipment	1.8%	-

c. Other lease information

	2020	2019
Expense relating to short-term leases	$ 3,523	$ 4,411
Less: Expense relating to short-term leases of discontinued operations	(163)	(144)
	$ 3,360	$ 4,267
Total cash (outflow) for leases	($ 18,489)	($ 23,108)

By adopting the exemption offered for short-term leases (office and parking lots), the Group shall not recognize related right-of-use assets and lease liabilities therefor.

16. Goodwill

	2020	2019
Balance at the beginning of the year	$ 76,204	$ 76,204
Disposal of subsidiaries (Note 28)	(76,204)	-
Balance at the end of the year	$ -	$ 76,204

17. Other intangible assets

	Computer software	Technical licensing	Customer relations	Total improvement
Cost				
Balance at January 1, 2020	$ 86,767	$ 114,586	$ 789	$ 202,142
Increase during the year	27,548	-	-	27,548
Disposal of subsidiaries (Note 28)	(24,211)	(114,586)	(789)	(139,586)
Internal transfer	21,369	-	-	21,369
Net exchange differences	(1,645)	-	-	(1,645)
Balance at December 31, 2020	$ 109,828	$ -	$ -	$ 109,828
Accumulated amortization				
Balance at January 1, 2020	$ 57,909	$ 36,287	$ 237	$ 94,433
Amortization expense	26,924	10,504	69	37,497
Disposal of subsidiaries (Note 28)	(24,211)	(46,791)	(306)	(71,308)
Internal transfer	14,955	-	-	14,955
Net exchange differences	(852)	-	-	(852)
Balance at December 31, 2020	$ 74,725	$ -	$ -	$ 74,725
Net at December 31, 2020	$ 35,103	$ -	$ -	$ 35,103
Cost				
Balance at January 1, 2019	$ 75,071	$ 114,586	$ 789	$ 190,446
Increase during the year	10,824	-	-	10,824
Internal transfer	1,064	-	-	1,064
Net exchange differences	(192)	-	-	(192)
Balance at December 31, 2019	$ 86,767	$ 114,586	$ 789	$ 202,142
Accumulated amortization				
Balance at January 1, 2019	$ 42,590	$ 24,828	$ 162	$ 67,580
Amortization expense	15,511	11,459	75	27,045
Net exchange differences	(192)	-	-	(192)
Balance at December 31, 2019	$ 57,909	$ 36,287	$ 237	$ 94,433
Net at December 31, 2019	$ 28,858	$ 78,299	$ 552	$ 107,709

Amortization expense is calculated on a straight-line bases over the estimated useful lives as follows:

Computer software	3 years
Technical licensing	10 years
Customer relations	10.5 years

18. Other assets

	December 31, 2020	December 31, 2019
Current		
Excess business tax paid	$ 6,594	$ 12,434
Masks and probe cards	-	8,137
Prepayment for purchases	-	3,599
Others	1,829	7,171
	$ 8,423	$ 31,341
Non-current		
Masks and probe cards	$ 141,152	$ 103,221
Prepayment for software licensing fee	-	6,507
	$ 141,152	$ 109,728

19. Loans

Short-term loans

	December 31, 2020	December 31, 2019
Secured loan (Note 32)		
Bank loan	$ 45,473	$ -
Unsecured loan		
Line of credit loan	85,140	300,000
	$ 130,613	$ 300,000

Secured loan refers to finance guarantee provided Zentel Electronics. The guarantee is issued by CTBC Bank upon Zentel Electronics' provision of time-posit as a collateral and is used as a loan guarantee for AP Memory (Hangzhou). The interest rate on loan at December 31, 2020 is 2.21%.

The interest charged under the line of credit loan at 2020 and December 31, 2019 were 0.72% and 1.05-1.20%, respectively.

20. Other Liabilities

	December 31, 2020	December 31, 2019
Current		
Other payables		
Payable for the customer complaint compensation (1)	$ 195,435	$ 100,000
Payable for employees' compensation	36,649	7,570
Payable for salaries and bonuses	35,518	620
Payable for masks and probe cards	20,737	17,929
Payable for board directors' remuneration	9,000	1,000

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	December 31, 2020	December 31, 2019
Payable for compensated absences	3,688	7,304
Payable for labor costs	2,268	3,191
Payable for labor and national health insurances	1,673	1,926
Payable for pension	1,508	1,738
Others	26,262	1,482
	$ 332,738	$ 142,760
Other Liabilities		
Receipts under custody	$ 1,725	$ 6,839
Contract liabilities	88	6,546
Advance receipt (b.)	-	30,260
Others	562	80
	$ 2,375	$ 43,725
Non-current		
Long-term payables		
Payable for the customer complaint compensation (a.)	$ -	$ 194,764

a. The Group received a customer complaint about the specifications of a specific batch of customized products. After negotiating with the customer who suffered from the said damage, the Group set $342,309 thousand, which is then given to the customer to offset future payments in the following three years as compensation, aside in Q1 of 2019. Apart from the said customer complaint loss, the Group also deposited $200,000 thousand into the customer's account as a guarantee before the debt is settled. At the end of 2019, the Group checked with the customer in regard to related losses and damages; and then transfer related liability reserves to other payables. As of December 31, 2020, the Group still needs to settle $195,435 thousand in reliability.

b. The advance receipt of $30,260,000 comes from selling 24% equity interest of Zentel Japan. For detailed information related to the selling, please refer to Note 29.

21. Retirement Benefit Plans

Defined Contribution Plans

The Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of Group's subsidiaries in China, the United States and Japan are members of local government's retirement benefit plan. Each subsidiary shall allocate an amount that is proportional to salary costs to the respect retirement benefit plan as the funds thereof. With respect to

retirement benefit plans operated by local government, the Group is only liable for allocating a specific amount.

22. Equity

a. Share capital

Ordinary shares

	December 31, 2020	December 31, 2019
Number of shares authorized (in thousands)	100,000	100,000
Authorized share capital	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	74,231	73,853
Shares issued	$ 742,316	$ 738,535
Advance receipts for ordinary share	$ 532	$ -

The nominal value of each ordinary share issued by the Corporation is $10. Every share carries one vote and each share gives equal right to dividends.

Due to employees' exercise of employee share option (ESO), the Corporation issued additional 378 thousand and 79 thousand shares in 2020 and 2019, respectively.

As of December 31, 2020, the Corporation still has 12,000 option units that shall be registered for capital change. The total amount received therefor is $532 thousand and is recognized as advance receipts for ordinary share.

Upon resolution of the board of directors on August 9, 2019, the Corporation decided to take back 6 thousand shares of restricted stock awards (RSAs) free of charge. Please refer to Note 27 for more information.

b. Capital surplus

	December 31, 2020	December 31, 2019
May be used to offset a deficit, distributed as cash dividends or transferred to share capital (1)		
Arising from issuance of ordinary shares	$ 625,315	$ 606,789
Difference between consideration and carrying amount of subsidiaries acquired or disposed	153,042	-
	778,357	606,789
May be used to offset a deficit only (2)		
Exercised and invalid employee share options	180,740	170,382
Acquired RSAs	47,595	43,124

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	December 31, 2020	December 31, 2019
SEO for employee share options	467	467
Changes in subsidiaries' ownership interests recognized using the equity method	401	6,421
	229,203	220,394
May not be used for any purpose		
Employee share options	13,162	6,734
Restricted stock awards (RSAs)	-	4,471
	13,162	11,205
	$ 1,020,722	$ 838,388

1) Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).

2) Capital surplus generated from exercised and invalid employee share options; acquired RSAs; SEO for employee share options; and changes in subsidiaries' ownership interests recognized using the equity method shall only be used to offset a deficit. No other use is allowed.

c. Retained earnings and dividend policy

The Corporation's Articles of Incorporation state that any earnings received by the Corporation in the fiscal year shall be used to pay taxes and offset accumulated deficits first; have 10% thereof set aside as legal reserve; and then recognize or reverse the remaining amount as a special reserve as prescribed by law. Any remaining amount, if any, shall be reported to the board of directors. The board of directors will then draft an earnings distribution proposal together with unappropriated earnings accumulated over the years. The proposal will be submitted to shareholders' meeting and, upon approval, be used to distribute shareholders' dividends. With respect to the policy of distributing employees' compensation and board directors' remuneration as prescribed in the Corporation's Articles of Incorporation, please refer to "Employees' Compensation and Board Directors' Remuneration" in Note 24(4).

Considering the Corporation's environment and growth stage, dividends may be distributed in cash or in stock in response to the future demand for funds and long-term financial plan. Among them, the proportion of cash dividends shall not be less than 20% of the dividends distributed to shareholders.

The aforesaid proportion of dividend distribution may be adjusted according to the Corporation's earnings and available funds for the year upon resolution of the shareholders meeting.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Letter Jin-Guan-Zheng-Fa-Zi No. 1010012865 issued by FSC and the directives titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reserved from a special reserve by the Corporation.

The appropriation of earnings for 2019 and 2018 which had been approved at the shareholders meeting on June 15, 2020 and June 6, 2019, respectively, is as follows:

	2019	2018
Legal reserve	$ -	$ 11,547
Special reserve (reversal)	$ 1,351	($ 2,369)
Cash dividends	$ 73,682	$ 37,539
Dividends per share (NT$)	$ 1.0	$ 0.5

In 2019, dividends per share are adjusted to NT$0.99742797 due to the exercise of employee share options.

In 2018, dividends per share are adjusted to NT$0.51023481 in 2018 due to the redemption of restricted stock awards (RSAs) and redemption of treasury shares.

The Corporation's appropriation of earnings for 2020 proposed by the board of directors on March 12, 2021 is as follows:

	2020
Legal reserve	$ 81,171
Special reserve (reversal)	($ 4,576)
Cash dividends	$ 370,373
Dividends per share (NT$)	$ 5.0

The appropriation of earnings for 2020 will be finalized at the shareholders' meeting to be held on June 17, 2021.

d. Other equity

1) Exchange differences on translation of foreign financial statements

	2020	2019
Balance at the beginning of the year	($ 4,576)	($ 3,225)
Exchange differences on translating the financial statements of foreign operations	(1,832)	(1,977)
Share of the other comprehensive income of subsidiaries accounted for using equity method	36	626
Reclassification adjustment		
Disposal of foreign operations (Note 28)	12,821	-
Other comprehensive income for the year	11,025	(1,351)
Disposal of subsidiaries' partial equity	3,593	-
Balance at the end of the year	$ 10,042	($ 4,576)

2) Unearned compensation cost

Please refer to Note 27 for information relating to the Corporation's issuance of restricted stock awards (RSA).

	2020	2019
Balance at the beginning of the year	($ 1,120)	($ 10,102)
Expense recognized as share-based payment	1,120	8,862
Retirement of restricted stock awards (RSAs)	-	120
Balance at the end of the year	$ -	($ 1,120)

e. Non-controlling interest (from January 1 to December 31, 2019: None))

	2020
Balance at the beginning of the year	$ -
Net profit for the year	9,273
Exchange differences on translation of foreign financial statements	35
Changes in ownership interests in subsidiaries	(401)
Disposal of subsidiaries' partial equity	14,072
Disposal of subsidiaries	(22,979)
Balance at the end of the year	$ -

f. Treasury shares

Purpose of redemption	Shares transferred to employees (in thousands of shares)	Retirement (in thousands of shares)	Total (in thousands of shares)
Number of shares at January 1, 2020	258	-	258
Increase during the year	-	-	-
Number of shares at December 31, 2020	258	-	-
Number of shares at January 1, 2019	258	-	258
Increase during the year	-	1,500	1,500
Decrease during the year	-	(1,500)	(1,500)
Number of shares at December 31, 2019	258	-	258

To transfer shares to employees, the Corporation had, upon resolution of the board of directors on October 8, 2018, bought back 258 thousand shares between October 9, 2018and December 8, 2018 at the price of NT$11,246 thousand.

To maintain the Corporation's creditability and shareholders' equity, the Corporation had, upon resolution of the board of directors on May 14, 2019, bought back 1,500 thousand shares between May 15, 2019 and July 12, 2019 at the price of NT$55,325 thousand. The Corporation then, upon resolution of the board of directors on August 9, 2019 and retired 1,500 thousand treasury shares.

According to Securities and Exchange Act, the number of shares bought may not exceed ten percent of the total number of issued and outstanding shares of the Corporation. The total amount of the shares bought back may not exceed the amount of retained earnings plus premium on capital stock plus realized capital surplus. The shares bought back by the Corporation for having them transferred to employees shall be transferred within 3 years from the redemption date. The shares not transferred within the said time limit shall be deemed as not issued by the Corporation and amendment registration shall be proceeded. The shares bought back by the Corporation for maintaining the Corporation's creditability and shareholders' equity shall be retired within 6 months from the redemption date. Treasury shares possessed by the Corporation shall not be pledged; and, before transfer, the shareholders' rights shall not be enjoyed as prescribed in Securities and Exchange Act.

23. Revenue

	2020	2019
Revenue from contracts with customers		
Revenue from the sale of goods	$ 3,190,196	$ 3,131,224
Revenue from the rendering of services	301,775	260,802
Other income	57,526	24,643
	$ 3,549,497	$ 3,416,669

a. Descriptions of contracts with customers

Please refer to Note 4.(o) for more information.

b. Contract balance

	December 31, 2020	December 31, 2019	January 1, 2019
Accounts receivable (Note 9)	$ 600,601	$ 588,346	$ 763,573
Contract liabilities (Note 20)			
Sale of goods	$ 88	$ 6,546	$ 1,507

The changes in contract liabilities is primarily due to the difference between the time when the performance obligation is satisfied and when the customer arranges the payment.

Contract liabilities that incurred at the beginning of the year and recognized as revenue in the year is as follows:

	2020	2019
From the contract liabilities at the beginning of the year		
Sale of goods	$ 6,546	$ 1,507

24. Net Profit (Loss) in the Year from Continuing Operations

a. Depreciation and amortization

	2020	2019
Property, plant and equipment	$ 8,602	$ 31,757
Right-of-use assets	10,464	15,440
Other intangible assets	37,497	27,045
	$ 56,563	$ 74,242
Depreciation expense by function		
Cost of sales	$ 5,366	$ 27,031
Operating expense	13,700	20,166
	$ 19,066	$ 47,197
Amortization expense by function		
Cost of sales	$ 13,683	$ 3,011
Operating expense	23,814	24,034
	$ 37,497	$ 27,045

b. Employee benefit expense

	2020	2019
Retirement benefit plans		
Defined Contribution Plans (Note 21)	$ 6,399	$ 10,764
Share-based payment		
Equity settlement	13,055	10,167
Other employee benefits		
Salary expense	301,952	264,605
Labor insurance and national health insurance expense	14,239	17,644
Other employment expense	12,997	13,742
	329,188	295,991
Total employee benefit expense	$ 348,642	$ 316,922
Summarized by functions		
Cost of sales	$ 41,491	$ 96,638
Operating expense	307,151	220,284
	$ 348,642	$ 316,922

c. Other gains and losses

	2020	2019
Gain (loss) on disposal of assets (Note 28)	$ 422,810	($ 1,537)
Gains on financial assets at fair value through profit or loss (Note 31)	48,141	57
Gain on disposal of investment (Note 8)	461	-
Loss on disposal of property, plant and equipment	(142)	-
Net exchange loss (Notes 24 and 35)	(61,870)	(11,370)
Losses derived from customer complaints (Note 20)	-	(342,309)
	$ 409,400	($ 355,159)

d. Employees' compensation and board directors' remuneration

According to the Corporation's Articles of Incorporation, the Corporation accrued employees' compensation and board directors' remuneration at the rates of no less than 1% and no higher than 3%, respectively, of net profit before income tax. The Corporation did not set employees' compensation and board directors' remuneration aside in 2019 due to a net loss before income tax. As for employees' compensation and board directors' remuneration for the year of 2020, the board of directors reached an agreement on March 12, 2021 as follows:

Accrual rate

	2020
Employees' compensation	3.7684%
Board directors' remuneration	0.8715%

Amount

	2020
Employees' compensation	$ 34,592
Board directors' remuneration	8,000

If there is any change in the amounts after the annual consolidated financial statements are authorized for issue, the differences will be handled as a change in accounting estimate and will be adjusted in the following year accordingly.

For the year of 2018, there is no difference between the paid amounts of employees compensation and board directors remuneration and the amounts recognized in the 2018 Consolidated Financial Statements

With respect to the resolution of the Corporation's board of directors on employees' compensation and board directors' remuneration for 2020 and 2019, please go to the website of Taiwan Stock Exchange "Market Observation Post System" for detailed information.

e. Exchange difference recognized in profit or loss

	2020	2019
Total exchange gain	$ 52,538	$ 64,519
Total exchange loss	(114,408)	(75,889)
Net loss	($ 61,870)	($ 11,370)

25. Income Taxes from Continuing Operations

a. Major components of tax expense recognized in profit or loss

	2020	2019
Current income tax		
Expense recognized in the current year	($ 133,090)	$ -
Adjustments on prior years	-	(717)
	(133,090)	(717)
Deferred tax		
Expense recognized in the current year	(25,786)	32,101
Adjustments on prior years	33,891	-
	8,105	32,101
Income tax expense recognized in profit or loss	($ 124,985)	$ 31,384

A reconciliation of income and income tax expense recognized in profit and loss is as follows:

	2020	2019
Income before taxes	$ 940,356	($ 354,357)
Income tax expense at the statutory rate	($ 279,862)	$ 85,691
Unrecognized tax benefit	77,525	(58,953)
Unrecognized deductible temporary differences/ loss carryforwards	77,352	5,352
Tax exempt income	-	11
Adjustments recognized in the period for current tax of prior years	-	(717)
Income tax expense recognized in profit or loss	($ 124,985)	$ 31,384

b. The movements of deferred tax assets and liabilities are as follows:

2020

	Balance at the beginning of the year	Recognized in profit or loss	Balance at the end of the year
Deferred tax assets			
Temporary differences			
Exchange loss	$ 2,040	$ 3,122	$ 5,162
Payable for compensated absences	1,460	(722)	738
Allowance for loss of inventory falling price and slow-moving inventory	39,125	(5,858)	33,267
Current financial assets at fair value through profit or loss	-	557	557
Compensation for loss	-	39,087	39,087
Loss carryforwards	31,450	(31,450)	-
	$ 74,075	$ 4,736	$ 78,811
Deferred tax liabilities			
Temporary differences			
Unrealized loss from sale	$ 1,946	($ 1,946)	$ -
Exchange gain	1,656	(1,423)	233
	$ 3,602	($ 3,369)	$ 233

2019

	Balance at the beginning of the year	Recognized in profit or loss	Balance at the end of the year
Deferred tax assets			
Temporary differences			
Exchange loss	$ 517	$ 1,523	$ 2,040
Payable for compensated absences	1,457	3	1,460
Allowance for loss of inventory falling price and slow-moving inventory	38,683	442	39,125
Loss carryforwards	-	31,450	31,450
	$ 40,657	$ 33,418	$ 74,075
Deferred tax liabilities			
Temporary differences			
Unrealized loss from sale	$ -	$ 1,946	$ 1,946
Exchange gain	2,285	(629)	1,656
	$ 2,285	$ 1,317	$ 3,602

c. Deductible temporary differences and unused deduction of loss that are not recognized as deferred tax assets in consolidated balance sheets.

	December 31, 2020	December 31, 2019
Loss carryforwards		
Maturity in 2029	$ -	$ 101,744
Deductible temporary differences	$ 192,736	$ 300,730

d. Income tax assessment

The Corporation and its subsidiary Zentel Electronics' tax returns for income tax through 2018 have been assessed by the tax authorities.

26. Earnings (losses) per share

Unit: NT$ per share

	2020	2019
Basic earnings (losses) per share		
From continuing operations	$ 11.05	($ 4.36)
From discontinued operations	(0.05)	(0.97)
	$ 11.00	($ 5.33)
Diluted earnings (losses) per share		
From continuing operations	$ 10.89	($ 4.36)
From discontinued operations	(0.05)	(0.97)
	$ 10.84	($ 5.33)

The earnings (losses) and weighted average number of ordinary shares outstanding used in the computation of earnings (losses) per share are as follows:

Net profit (loss) for the year

	2020	2019
Earnings (losses) used in the computation of basic and diluted earnings (losses) per share	$ 811,710	($ 395,065)
Less: Earnings (losses) from discontinued operations that are used in the computation of basic and diluted earnings (losses) per share from discontinued operations	3,660	72,092
Earnings (losses) used in the computation of basic and diluted earnings (losses) per share from continuing operations	$ 815,370	($ 322,973)

Number of shares

Unit: 1,000 shares

	2020	2019
Weighted average number of ordinary shares outstanding used in the computation of basic earnings (losses) per share	73,764	74,106
Effects of potentially dilutive ordinary shares:		
Employee share options	997	-
Employees' compensation	81	-
Restricted stock awards (RSAs)	12	-
Weighted average number of ordinary shares outstanding used in the computation of diluted earnings (losses) per share	74,854	74,106

Since the Corporation can offer to settle the bonuses to employees in cash or shares, the Corporation assumes that the entire amount of bonus would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the

potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at the meeting in the following year.

As potential ordinary shares outstanding are dilutive in the computation of losses per share in 2019, they are excluded from the computation.

27. Share-based payment Agreements

a. Employee share option plan

Grant date	September 26, 2020	December 20, 2019	April 26, 2019	November 9, 2018	January 25, 2017	November 30, 2014
Approval date by board of directors	August 7, 2020	April 26, 2019	August 8, 2018	August 8, 2018	November 3, 2016	July 7, 2014
Grant unit	319,000	750,000	8,000	692,000	680,000	1,800,000
Exercise price (NT$) (Note 1)	333.5	83.7	43.85	44.8	81.70	36.76
Share per unit	1 ordinary share	1 ordinary share	1 ordinary share	1 ordinary share	1 ordinary share	1 ordinary share
Granted to	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation's employees who meet specific requirements
Vesting conditions (Note 2)	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 40% 3 years 30% 4 years 30%	3 months 40% 2 years 30% 3 years 30%
Life/ duration (years)	10	10	10	10	10	6

Note 1: Where there is movement in the Corporation's ordinary share upon the issuance of option or the Corporation's cash dividends per ordinary share exceeds the prescribed ratio, the exercise price of the option will be adjusted based on the formula accordingly.

Note 2: The computation starts after the employee share options are granted.

Information relating to issued employee share options is as follows:

	2020		2019	
Employee share options	Option per unit	Weighted average exercise prices (NT$)	Option per unit	Weighted average exercise prices (NT$)
Outstanding at the beginning of the year	1,773,000	$ 66.47	1,408,000	$ 54.25
Offered in the year	319,000	333.50	758,000	83.27
Became invalid in the year	(173,800)	68.37	(314,000)	60.29
Exercised in the year	(378,000)	58.98	(79,000)	21.44
Outstanding at the end of the year	1,540,000	123.40	1,773,000	66.47
Exercisable at the end of the year	64,500	47.21	216,400	57.18
The weighted average fair value of options offered in the year (NT$)	$ 136.31		$ 27.38	

The weighted average price of options exercised in 2020 and 2019 were $351.63 and $56.80, respectively on the exercise day.

Information relating to employee share options outstanding as of the balance sheet reporting date:

December 31, 2020			December 31, 2019		
Issue date	Exercise price (NT$)	Weighted average remaining contractual life (years)	Issue date	Exercise price (NT$)	Weighted average remaining contractual life (years)
January 25, 2017	$ 73.18	6.07	November 30, 2014	$ 15.46	0.92
November 9, 2018	44.30	7.86	January 25, 2017	73.18	7.07
April 26, 2019	44.30	8.32	November 9, 2018	44.26	8.86
December 20, 2019	83.50	8.97	April 26, 2019	43.32	9.32
September 26, 2020	333.50	9.75	December 20, 2019	83.70	9.97

Employee share options offered by the Corporation in September 2020, April 2019 and December 2019, respectively, were assessed using the binomial option pricing model. The parameters of the model are as follows:

Year of offering	September 2020	December 2019	April 2019
Fair value on the offering date	NT$108.79~161.73	NT$22.31~32.72	NT$11.32~16.94
Exercise price	NT$333.50	NT$83.70	NT$43.85
Expected volatility	54.68%	42.28%	42.23%
Expected life	6-7.5 years	6-7.5 years	6-7.5 years
Expected dividend yield	-	-	-
Risk-free interest rate	35-0.38%	0.60%-0.63%	0.65%-0.70%

Expected volatility is computed based on the average historical volatility of similar entities. It is assumed that, between the end of vested period and expected life, employees would exercise options.

Compensation costs recognized in 2020 and 2019 were $10,797 thousand and $1,666 thousand, respectively. The compensation costs generated from employee share options offered to subsidiaries in 2020 and 2019 were $(432) thousand and $1,506 thousand, respectively.

b. Restricted stock awards (RSAs)

Approval date by board of directors	June 19, 2017	May 27, 2016	June 23, 2015
Number of issued shares (in thousands)	500	500	1,200
Issue amount	Free of charge issuance	Free of charge issuance	Free of charge issuance
Effective date upon approval of FSC	July 18, 2017	July 5, 2016	August 10, 2015

Employees' restricted rights before reaching the vesting conditions are as follows:

1) The grantee employee shall not sell, transfer, make gift of, create other rights or encumbrances on the RSAs, or otherwise dispose of the RSAs in any other manner.

2) All the proposal rights, motion rights, speech rights, voting rights and any other shareholder rights shall be exercised by the trustee or the custodian (as applicable).

3) The restrictions (including but not limited to transfer restrictions and vesting conditions) applicable to any and all unvested RSAs (and any share derived from such RSAs for whatever reason, including share dividend, retained earning capitalization, recapitalization, reserve capitalization and any cash distributed based on such RSAs for whatever reason, including cash dividend and distribution of capital reserve in the form of cash) shall equally apply to any share derived, directly or indirectly, from and cash distributed based on such unvested RSAs for whatever reason, including share dividend, retained earning capitalization, recapitalization, reserve capitalization, cash dividend and distribution of capital reserve in the form of cash, and any interests (collectively, the "Restricted Share and Cash Distribution").

Before employees reach the vesting conditions, the Corporation may retire such RSAs at no consideration. Upon resolution of the board of directors on August 9, 2019, the Corporation retired 6 thousand restricted stock awards (RSAs).

The movements in restricted stock awards (RSAs) in 2020 and 2019 are as follows:

	Number of shares (in thousands)	
Restricted stock awards (RSAs)	2020	2019
Outstanding at the beginning of the year	53	200
Vested in the year	(53)	(141)
Retired in the year	-	(6)
Balance at the end of the year	-	53

Compensation costs recognized in 2020 and 2019 were $1,120 thousand and $8,501 thousand, respectively.

28. Disposal of subsidiaries

The Group reached a resolution to dispose subsidiaries "AP Holding" and "Zentel Japan" on March 2, 2020 and September 26, 2020, respectively. Upon completion of the share transfer process on March 20, 2020 and November 30, 2020, the Group no longer controls the said subsidiaries.

a. Consideration received

	AP Holding	ZENTEL Japan
Cash	$ 6,946	$ 656,869

b. Analysis of assets and liabilities over which the Corporation lost control

	AP Holding	Zentel Japan
Current assets		
Cash	$ 17,135	$ 195,480
Inventories	-	322,016
Accounts receivable	-	176,371
Others	1,022	10,425
Non-current assets		
Right-of-use assets	-	2,657
Property, plant and equipment	11	1,032
Goodwill	-	76,204
Other intangible assets	-	68,278
Others	21	1,872
Current liabilities		
Payables	-	(610,338)
Lease liabilities - Current	-	(1,712)
Advance receipts	(6,227)	(247)
Others	(1,031)	(1,036)
Non-current liabilities		
Lease liabilities - Non-current	-	(770)
Net assets disposed of	$ 10,931	$ 240,232

c. Profit (loss) on disposal of subsidiaries

	AP Holding	Zentel Japan
Consideration received	$ 6,946	$ 656,869
Net assets disposed of	(10,931)	(240,232)
Non-controlling interest	-	22,979
Cumulative exchange difference reclassified from equity to profit or loss on the disposal of subsidiaries	(1,554)	(11,267)
Disposal profit (loss)	($ 5,539)	$ 428,349

d. Net cash inflow from disposal of subsidiaries

	AP Holding	Zentel Japan
Consideration received in cash and cash equivalents	$ 6,946	$ 656,869
Less: Balance of cash and cash equivalents disposed of	(17,135)	(195,480)
	($ 10,189)	$ 461,389

29. Equity Transaction with Non-Controlling Interest

The Group disposed 24% equity interest of Zentel Japan, resulting in a decrease in shareholding ratio (from 100% to 76%).

As the aforesaid transaction does not change the Group's control over the said subsidiary, the transaction was handled as an equity transaction.

	Zentel Japan
Proceeds from the transaction	$ 180,460
Proceeds attributed to the option (Note 11)	(9,753)
Proceeds attributed to the equity	170,707
The carrying amount of the subsidiary's net assets that shall be transferred to non-controlling interest based on relative equity changes	(14,072)
Adjustments to other equity items belonging to the Corporation's shareholders	
- Exchange differences on translation of foreign financial statements	(3,593)
Difference in equity transactions	$ 153,042
Adjustment accounts for difference in equity transactions	
Capital surplus – Actual Difference between consideration and carrying amount of subsidiaries acquired or disposed	$ 153,042

30. Capital risk management

The Group has, on the premise of having continuing operations, conducted capital management to balance the liabilities and equity in order to optimize total shareholder return (TSR).

The Group's capital structure comprises the Group's equity (i.e., dividends, capital surplus, retained earnings and other equity) and short-term loans.

The Group is not obliged to abide by other external capital requirements.

The Group's management level regularly reviews the capital structure and take potential costs and risks into consideration. Generally, the Group adopts a careful and cautious risk management strategy.

31. Financial instruments

a. Fair value of financial instruments that are not measured at fair value

The Group considers that the carrying amounts of financial instruments that are not measured at fair value recognized in the consolidated financial statements approximate their fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total improvement
Financial assets at FVTPL				
Trust fund beneficiary certificates	$ 930,536	$ -	$ -	$ 930,536
Equity instrument investment	39,984	-	28,032	68,016
	$ 970,520	$ -	$ 28,032	$ 998,552

December 31, 2019

	Level 1	Level 2	Level 3	Total improvement
Financial assets at FVTPL				
Trust fund beneficiary certificates	$ 30,003	$ -	$ -	$ 30,003
Equity instrument investment	-	-	45,179	45,179
	$ 30,003	$ -	$ 45,179	$ 75,182

2) Reconciliation of Level 3 - Financial Liabilities at FVTPL

2020

Financial assets	Measured at FVTPL Equity instruments
Balance at the beginning of the year	$ 45,179
Increase during the year	789
Recognized in profit or loss	15,215
Decrease during the year	(15,775)
Transfer out of Level 3	(17,376)
Balance at the end of the year	$ 28,032
Relating to assets held at the end of the reporting year and recognized as unrealized gains through profit and loss	$ 29,118

Financial liabilities	Derivative instruments
Balance at the beginning of the year	$ -
Increase during the year	9,753
Recognized in profit or loss	(9,753)
Balance at the end of the year	$ -

2019

Financial assets	Measured at FVTPL Equity instruments
Balance at the beginning of the year	$ -
Increase during the year	45,179
Balance at the end of the year	$ 45,179

3) Valuation techniques and inputs used in Level 3 fair value measurement

Classification of financial instruments	Valuation techniques and inputs
Non-TWSE/TPEx-listed stock	1. Adopted the market approach, where the recent financing activities of investees are used to arrive at their fair values. 2. Adopted the asset approach, where investees' net asset values and observable financial and operating status is used to arrive at their fair values.

c. Classification of financial instruments

	December 31, 2020	December 31, 2019
Financial assets		
At Fair Value Through Profit or Loss (FVTPL)		
Equity instrument investment	$ 68,016	$ 45,179
Trust fund beneficiary certificates	930,536	30,003
Measured at amortized cost (Note 1)	1,920,774	1,392,250
Financial liabilities		
Measured at amortized cost (Note 2)	700,285	944,906

Note 1: The balance includes financial assets measured at amortized cost, such as cash and cash equivalents, debt instrument investments, accounts receivable, other receivables (excluding tax refund receivable) and refundable deposits.

Note 2: The balance includes financial liabilities measured at amortized cost, such as short-term loans, accounts payable, other payables and long-term payables.

d. Financial risk management objectives and policies

The Group's main financial instruments are equity and debt instrument investments, accounts receivable, other receivables, refundable deposits, loans, accounts payable, other payables and lease liabilities. The Group's financial management department provides services to all business units; and organizes, supervises and manages all financial risks related to the Group's

operations. Such risks include market risks (including currency, interest rate risks and other price risks), credit risks and liquidity risks.

1) Market risks

The Group's operating activities expose it primarily to the financial risks of changes in foreign currency exchange rates (please refer to (1) below), interest rates (please refer to (2) below) and other price volatility (please refer to (3) below).

No change has been made to the Group's exposures of financial instrument market risks and its exposure management and measurement approaches.

a) Currency risk

The Group is exposed to exchange rate fluctuation due to its and its subsidiaries' engagement in sales and purchase transactions denominated in foreign currencies.

For the Group's monetary assets denominated in non-functional currency and carrying values of monetary liabilities recorded at the balance sheet date, please refer to Note 35.

Sensitivity analysis

The Group is mainly exposed to the U.S. dollar.

The following table shows the Group's sensitivity to a 5% increase and decrease in its functional currency against the U.S. dollar. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the reporting date and adjusts their translation for a 5% change at the end of the year. The positive number in the table indicates the decrease in pretax profit associated with the 5% appreciation of the functional currency against the U.S. dollar; and, when the functional currency depreciates by 5%, the pretax profit would be affected, resulting a negative number of the same amount.

	Impact of the U.S. dollar	
	2020	2019
Profit or loss (i)	$ 51,739	$ 30,941

(i) The above profit or loss is mainly associated with demand deposits, accounts receivable, accounts payable and other payables calculated in U.S. dollar, which are outstanding and not being hedged against cash flows risk at balance sheet date.

b) Interest rate risk

The carrying amounts of the Group's financial assets with exposure to interest rates at the end of the reporting period are as follows:

	December 31, 2020	December 31, 2019
Fair value interest rate risk		
- Financial assets	$ 447,603	$ 69,265
- Financial liabilities	130,060	322,127
Cash flow interest rate risk		
- Financial assets	662,848	524,164
- Financial liabilities	45,473	-

Sensitivity analysis

The sensitivity analysis was determined on the basis of the Group's exposure to interest rate changes for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period had been outstanding for the whole year. Had interest rates been fifty basis points higher and all other variables were held constant, the Group's pretax profits would have increased by $3,087 thousand and $2,621 thousand in 2020 and 2019, respectively. Such increase is resulted from the Group's variable-rate account.

c) Other price risks

The price risks exposed to the Group in 2020 and 2019 in association with beneficiary certificates and equity instrument investments come from investments that are classified as financial assets at fair value through profit or loss.

Had the price of equity instrument investment and trust fund beneficiary certificates increased/ decreased by 5% at the end of the reporting period, the Group's pretax profits would have increased/ decreased by $49,928 thousand in 2020 and $3,759 thousand 2019, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations. As of the end of the reporting period, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group because of the counterparties' failure to discharge their obligations, could arise from the carrying amount of the financial assets recognized in the consolidated balance sheets.

The Group has a policy to have transactions only with reputable counterparties; and, whenever it is necessary, obtain a full guarantee to reduce the risk of financial loss due to arrears. The Group uses publicly available financial information and transaction records to rate major customers. The Group will continue monitoring the exposure to credit risk and the creditworthiness of the counterparty; and will spread the total trade volume to customers with good credit rating.

The Group did not have a significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Besides, as the Group continues to evaluate the financial status of accounts receivable customers, credit risks involved in the transactions therewith are very limited. At the end of the reporting period, the Group's maximum credit risk amount was almost equal to the carrying amounts of recognized financial assets.

3) Liquidity risk

The Group's objectives of managing liquidity risk are to ensure that it has sufficient liquidity to continue operating in the following 12 months. The Group has maintained a level of cash and cash equivalents deemed adequate to finance its operations. The Group also adopted a series of control measures with respect to change in cash flow, net cash balance and major capital expenditure in order to know its available line of credit and to ensure its compliance with loan contract terms.

For the Group, bank loan is a significant source of liquidity. With respect to the Group's available line of credit, please refer to "(2) Line of credit" as follows.

a) Table of liquidity and interest rate risks

The following tables show the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed-upon repayment periods. The tables had been drawn up on the basis of the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows.

December 31, 2020

	Weighted average effective interest rate (%)	On demand or less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Non-derivative financial liabilities					
Non-interest-bearing current liability	-	$ 403,395	$ 166,277	$ -	$ -
Fixed-rate financial instruments	0.72	85,237	-	-	-
Lease liabilities	2.09	5,089	16,262	25,765	-
Floating-rate financial instruments	2.21	-	45,691	-	-
		$ 493,721	$ 228,230	$ 25,765	$ -

December 31, 2019

	Weighted average effective interest rate (%)	On demand or less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Non-derivative financial liabilities					
Non-interest-bearing current liability	-	$ 348,010	$ 102,240	$ 194,764	$ -
Lease liabilities	2.43	4,661	8,846	9,161	-
Fixed-rate financial instruments	1.10	300,502	-	-	-
		$ 653,173	$ 111,086	$ 203,925	$ -

b) Line of credit

	December 31, 2020	December 31, 2019
Non-collateral line of credit may be extended upon agreement of both parties		
─ Used line of credit	$ 130,613	$ 300,000
─Available line of credit	714,860	910,000
	$ 845,473	$ 1,210,000

As liquidity risk refers to the risk that a fund does not have enough cash or liquid assets that can be quickly converted into cash to meet its liabilities; and the Group's working capital and line of credit are sufficient to continue its operations, the Group therefore does not have any liquidity risk.

32. Related-Party Disclosures

Transactions, balance, income and expenses between the Corporation and subsidiaries (related parties of the Corporation) had been eliminated on consolidation and are not disclosed in this note. Except as disclosed in other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related parties and relationships therewith

Name of related party	Relationship with the Corporation
Lyontek	Associate

b. Operating revenue

Type of related party	2020	2019
Associate	($ 5,591)	$ 10,325

The sales transactions between the Corporation and related parties shall be handled according to the price agreed by both parties. The payment terms shall refer to ordinary customers.

c. Accounts receivable (December 31, 2020: None)

Type of related party	December 31, 2019
Associate	$ 40

For receivables outstanding from related parties, no deposit has been charged. With respect to receivables from related parties for the year ended December 31, 2019, no allowance for impairment loss has been reserved therefor.

d. Other receivables from related parties (December 31, 2019: None)

Type of related party	December 31, 2020
Associate	$ 398

e. Salaries and bonuses of key management personnel

	2020	2019
Short-term employee benefits	$ 53,012	$ 35,071
Retirement benefit plans	1,658	1,191
Share-based payment	1,846	607
	$ 56,516	$ 36,869

The remuneration of board directors and salaries of other key management personnel are decided by Remuneration and Compensation Committee based on individual performance and market trends.

33. Pledged Assets

The following assets have been provided as tariff guarantees for imported raw materials and bank loan:

	December 31, 2020	December 31, 2019
Pledged time deposits (recognized as financial assets at amortized cost)	$ 60,215	$ 3,225

34. Significant Contingent Liabilities and Unrecognized Contractual Commitments

Toshiba Memory Corporation was renamed to Kioxia Corporation (hereinafter referred to as Kioxia) in October 2019 and is the holder of domestic patents No. 154717 and No. I238412. Holding the belief that a number of Zentel Electronics' flash memory products infringes the aforesaid patents, it filed a lawsuit against the designer, manufacturer and sellers (including Zentel Electronics and other 3 companies, and the person in charge of some of the companies) of the said products.

According to the verdict of the first trial, Zentel Electronics and other defendants should pay NT$99,822,000 and the interest accrued from June 4, 2014 to the settlement date (at an annual interest rate of 5%) to the plaintiff; and shall bear half of the plaintiff's litigation costs.

Zentel Electronics obtained a commitment letter issued by the product's manufacturer on July 27, 2017. The commitment letter specifies the manufacturer's commitment of bearing the aforesaid compensation amount and statutory deferred interest (NT$115,185 thousand in total); and abandoning the right of claim against Zentel Electronics. Besides, to avoid the plaintiff claiming a preliminary injunction prior to the judgement, the manufacturer already provided a negotiable certificate of deposit (with the same amount by the court) to the court as a guarantee.

Zentel Electronics and other defendants filed an appeal on July 31, 2027 in regard to the said incident. On October 16, 2019, the intellectual property court announced the second instance verdict and dismissed the plaintiff's claims. On November 11, 2019, Kioxia filed an appeal to the court of second instance and the court has not held a hearing on the appeal. The Group also filed an appeal to the court of second instance and the court has not held a hearing on the appeal. The Group holds the believe that the litigation results cannot yet be estimated.

35. Foreign Currency Assets and Liabilities with Significance

The following information was aggregated by the foreign currencies other than Group's individual functional currency and the exchange rates between foreign currencies and respective functional currency were disclosed. The significant financial assets and liabilities denominated in foreign currencies are as follows:

(NT$ for ER; and in Thousand for Other Foreign Currencies/ Carrying Amounts)

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 45,875	28.48 (USD : TWD)	$ 1,306,529
USD	57	6.5249 (USD : RMB)	1,609
			$ 1,308,138
Non-monetary items			
Equity instrument investment at FVTPL			
RMB	6,262	4.377 (RMB : TWD)	$ 27,243
Financial liabilities			
Monetary items			
USD	$ 8,002	28.48 (USD : TWD)	$ 227,883
USD	1,592	6.5249 (USD : RMB)	45,473
			$ 273,356

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 29,398	29.98 (USD : TWD)	$ 881,298
USD	1,271	108.6232 (USD : JPY)	38,104
			$ 919,402
Non-monetary items			
Equity instrument investment at FVTPL			
RMB	6,900	4.352 (RMB : TWD)	$ 30,029
Financial liabilities			
Monetary items			
USD	10,028	29.98 (USD : TWD)	$ 300,636

The exchange rate gains and losses of foreign currencies with significance (including realized and non-realized) are summarized as follows:

	2020		2019	
Foreign Currency	Exchange Rate	Net exchange gain (loss)	Exchange Rate	Net exchange gain (loss)
USD	29.549 (USD : TWD)	($ 69,378)	30.912 (USD : TWD)	($ 11,512)
USD	6.9007 (USD : RMB)	8,222	-	-
JPY	0.2769 (JPY : TWD)	(639)	0.2837 (JPY : TWD)	144
EUR	33.7100 (EUR: TWD)	(75)	-	-
		($ 61,870)		($ 11,368)

36. Additional Disclosures

a. Information on significant transactions and b. Information on reinvestments:

1) Financing provided to others: Please refer to Appendix 1.

2) Endorsement

3) Marketable securities held at the end of the year (investments in subsidiaries are excluded): Please refer to Appendix 3.

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: Please refer to Appendix 4.

5) Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: None.

6) Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None.

7) Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Please refer to the table of Appendix 5.

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Please refer to the table of Appendix 6.

9) Information about the derivative financial instrument transaction: Please refer to Note 11.

10) Others: Business relationships and significant transactions and amount between parent company and subsidiaries and among subsidiaries: Please refer to Appendix 7.

11) Information of investees: Please refer to Appendix 8.

c. Information on investments in Mainland China:

1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, ending balance, amount received as dividends from the investee, and the limitation on investees: Please refer to Appendix 9.

2) Significant direct or indirect transactions with the investee, its prices and terms of payment and unrealized gain or loss:

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Please refer to Appendix 7.

c) The amount of property transactions and the amount of the resultant gains or losses: None.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Please refer to the table of Appendix 2.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: Please refer to Appendix 7.

d. Information on major shareholders: The names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the equity: Please refer to Appendix 10.

37. <u>Operating Segments</u>

a. Information on the Operating Segments

The chief operating decision maker uses the Group's financial information to allocate resources and assess performance. As the Group manages the organization and allocate resources to one single operating segment as prescribed in IFRS 8 "Operating Operations"; and the income generated from the operating activity is greater than 90% of the Group's combined revenue, it is not obligatory to disclose the operating segment's financial information.

b. Revenue from major products and services

Please refer to Note 23.

c. Information about geographical areas

The Group's revenue from external customers is distinguished by customer region and non-current assets are grouped by asset region as follows:

	Revenue from external customers		Non-current assets	
	2020	2019	December 31, 2020	December 31, 2019
Mainland China	$ 2,191,933	$ 1,482,079	$ 24,436	$ 9,337
Taiwan	705,344	683,216	393,477	436,100
Japan	93,417	629,988	-	10,135
Europe	75,231	184,935	-	-
America	1,083	11,073	22,863	9,275
Others	482,489	425,378	-	-
	$ 3,549,497	$ 3,416,669	$ 440,776	$ 464,847

Non-current assets do not include assets classified as financial assets at fair value through profit or loss, financial assets at amortized cost, investments accounted for using equity method, goodwill and deferred tax assets.

d. Information about major customers

Revenue that is generated from one single customer and is more than 10% of the Group's combined revenue is as follows:

	2020
Customer A	$ 855,620
Customer C	383,139
	$ 1,238,759

	2019
Customer B	$ 530,775
Customer C	387,996
	$ 918,771

AP Memory Technology Corporation and Subsidiaries

Financing Provided to Others

For the year ended December 31, 2020

Appendix 1

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

No.	Financing company	Counterparty	Financial statement account	Related party	Maximum balance for the period	Ending balance	Drawn amount	Interest rate collars	Nature of financing	Trading amount	Reasons for short-term financing	Allowance for bad debt	Collateral		Maximum amount permitted to a single borrower (Note 1)	Aggregate financing limit (Note 1)	Remarks
													Item	Value			
0	AP Memory Technology Corporation	Zentel Japan Corp.	Other receivables	No (Note 2)	$ 427,200	$ 427,200	$ 381,523	0.37%	Business contacts	$ 426,608	-	$ -	-	$ -	$ 620,594	$ 1,241,188	

Note 1: For financing with the purpose of business contacts, the aggregate financing limit and maximum amount permitted to a single borrower shall not exceed 40% and 20% of the Corporation's net value, respectively. The said aggregate financing limit is calculated based on the net value as of December 31, 2020.

Note 2: The Corporation has lost control over Zentel Japan after selling 24% of its equity on January 2, 2020 and the remaining on November 30, 2020.

AP Memory Technology Corporation and Subsidiaries

Endorsement and Guarantee for Others

For the year ended December 31, 2020

Appendix 2

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorsement/ guarantee provider	Endorsed/ guaranteed party		Maximum endorsement/ guarantee amount permitted to a single party (Note 3)	Maximum balance for the period	Ending balance	Drawn amount	Amount of endorsement/ guarantee collateralized by properties	Ratio of accumulated endorsement/ guarantee to net equity per latest financial statements (%)	Aggregate external endorsement/guarantee amount (Note 3)	Endorsement/ guarantee provided by the parent company	Endorsement/ guarantee provided by the subsidiary	Endorsement/ guarantee provided to subsidiaries in mainland China.	Remarks
		Company name	Relationship (Note 2)											
0	AP Memory Technology Corporation	Zentel Electronics Corp.	(2)	$ 930,891	$ 100,000	$ 100,000	$ -	$ -	3.22	$ 1,511,485	Y	N	N	
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(2)	930,891	28,480	28,480	-	-	0.92	1,511,485	Y	N	N	
1	Zentel Electronics Corp.	AP Memory Technology (Hangzhou) Limited Co.	(4)	286,738	56,960	56,960	56,960	56,960	5.96	477,897	N	N	Y	

Note 1: The description of the column is as follows:

(1) Issuer: “0”.

(2) Investees: are numbered starting from “1”.

Note 2: The relationships between the endorser/ guarantor and endorsee/ guarantee can be classified into seven types as follows. Only need to mark the type of it:

(1) A company with which it does business.

(2) A company in which the Corporation directly or indirectly holds more than 50 percent of the voting shares.

(3) A company that directly and indirectly holds more than 50 percent of the voting shares in the Corporation.

(4) Companies in which the Corporation holds, directly or indirectly, 90% or more of the voting shares.

(5) Where the Corporation fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

(6) Where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.

(7) Where companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other,

Note 3: For the Group and its subsidiary Zentel Electronics Corp., the aggregate external endorsement/ guarantee amounts and maximum endorsement/ guarantee amount permitted to a single party shall not exceed 50% and 30% of their net value, respectively.

AP Memory Technology Corporation and Subsidiaries

Marketable Securities Held at the End of the Year

December 31, 2020

Appendix 3

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Held company	Type and name of marketable securities	Relationship with the issuer of securities	Account	At the end of the year (period)				Remarks
				Number of shares/ units	Carrying value	Percentage of ownership (%)	Fair value	
AP Memory Technology Corporation	Trust fund beneficiary certificates							
	CTBC Hwa-win Money Market Fund	-	Current financial assets at fair value through profit or loss - Current	9,011,535	$ 100,096	-	$ 100,096	
	Mega Diamond Money Market Fund	-	Current financial assets at fair value through profit or loss - Current	6,332,158	80,101	-	80,101	
	Equity investments in unlisted (non-OTC) stocks							
	Powerchip Semiconductor Manufacturing Corp.	-	Current financial assets at fair value through profit or loss- Non-current	800,000	39,984	0.026%	39,984	
	Haining Changmeng Tachnology Partnership Enterprise (Limited Partnership)	-	Current financial assets at fair value through profit or loss- Non-current	-	27,243	24.64%	27,243	
	GeneASIC Technologies Corporation		Current financial assets at fair value through profit or loss- Non-current	500,000	789	19.05%	789	
Zentel Electronics Corp.	Trust fund beneficiary certificates							
	CTBC Hwa-win Money Market Fund	-	Current financial assets at fair value through profit or loss - Current	21,631,805	240,275	-	240,275	
	Mega Diamond Money Market Fund	-	Current financial assets at fair value through profit or loss - Current	20,556,973	260,044	-	260,044	
	Jih Sun Money Market Fund	-	Current financial assets at fair value through profit or loss - Current	16,723,750	250,020	-	250,020	

Note 1: Please refer to Appendixes 8 and 9 for more information about investments in subsidiaries and associates.

AP Memory Technology Corporation and Subsidiaries

Marketable Securities Acquired or Disposed of at Costs or Prices of at Least NT$300 Million or 20% of the Paid-in Capital

For the year ended December 31, 2020

Appendix 4

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Company name	Type and name of marketable securities (Note 1)	Financial statement account	Counterparty (Note 2)	Relationship (Note 2)	Beginning balance		Acquisition (Note 3)		Disposal (Note 3)				Ending balance	
					No. of shares/ units	Amount	No. of shares/ units	Amount	No. of shares/ units	Price	Carrying amount	Gain (loss) on disposal	No. of shares/ units	Amount
Zentel Electronics Corp.	Stock Zentel Japan Corp.	Investments accounted for using equity method	Eaglestream Technology Holdings (Hong Kong) Limited	Non-related party	9,000	$ 58,636	-	$ -	9,000	$ 827,576	$ 254,304	$ 428,349	-	$ -
AP Memory Technology Corporation and Zentel Electronics Corp.	Trust fund beneficiary certificates CTBC Hwa-win Money Market Fund	Current financial assets at fair value through profit or loss – Current	PTC -	Non-related party -	2,712,183	30,003	30,643,340	340,000	2,712,183	30,033	30,003	30	30,643,340	340,371
AP Memory Technology Corporation and Zentel Electronics Corp.	Mega Diamond Money Market Fund	Current financial assets at fair value through profit or loss – Current	-	-	-	-	26,889,131	340,000	-	-	-	-	26,889,131	340,145
Zentel Electronics Corp.	Jih Sun Money Market Fund	Current financial assets at fair value through profit or loss – Current	-	-	-	-	16,723,750	250,000	-	-	-	-	16,723,750	250,020

Note 1: The marketable securities are stocks, bonds, mutual funds and derivative marketable securities.

Note 2: These two columns should be filled in if the marketable securities are recognized as investments accounted for using the equity method.

Note 3: The accumulated acquisition and disposal amount should be individually calculated based on market value to determine if it exceeds NT$300 million or 20% of the paid-in capital.

AP Memory Technology Corporation and Subsidiaries

Total Purchases from or Sales to Related Parties of at Least NT$100 million or 20% of the Paid-in Capital

For the year ended December 31, 2020

Appendix 5

(In Thousands of New Taiwan Dollars
Unless Otherwise Specified

Company name	Related party	Nature of relationship	Transaction details				Abnormal transactions (Note 1)		Notes/ accounts payable or receivable		Remarks
			Purchase/ sale	Amount	% to total	Payment terms	Unit price	Payment terms	Balance	% to total	
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	Sub-subsidiary	Sale	($ 228,678)	(6.36%)	OA 75 day	$ -	-	$ 151,870	20.01%	
AP Memory Technology Corporation	Zentel Japan Corp.	Sub-subsidiary (Note 2)	Sale	(349,866)	(9.73%)	OA 120 day	-	-	-	-	
AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	Subsidiary	Sale	(144,805)	(4.03%)	OA 60 day	-	-	48,604	6.41%	

Note 1: Transactions between the Corporation and AP Memory Technology (Hong Kong) Co. Limited, AP Memory Technology (Hangzhou) Limited Co. and Zentel Japan Corp. shall be dealt according to the payment and trade terms agreed by both parties.

Note 2: The Corporation has lost control over Zentel Japan after selling 24% of its equity on January 2, 2020 and the remaining on November 30, 2020. The corporation already transferred related account receivables that already exceeded the payment term to other receivables.

AP Memory Technology Corporation and Subsidiaries

Receivables from Related Parties Amounting to at Least NT$100 million or 20% of the Paid-in Capital

December 31, 2020

Appendix 6

(In Thousands of New Taiwan Dollars
Unless Otherwise Specified)

Company name	Related party	Nature of relationship	Ending balance (Note 1)	Turnover	Overdue		Amount(s) received in subsequent period	Allowance for bad debts
					Amount	Action(s) taken		
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	Sub-subsidiary	$ 151,870	3.01	$ -	-	$ 84,753	$ -

Note 1: All amounts have been written off while preparing the consolidated financial statements.

AP Memory Technology Corporation and Subsidiaries

Intercompany Relationships and Significant Intercompany Transactions

For the year ended December 31, 2020

Appendix 7

(In Thousands of New Taiwan Dollars
Unless Otherwise Specified)

No. (Note 1)	Investee company	Counterparty	Relationship (Note 2)	Transaction details			
				Financial statement accounts	Amount (Note 4)	Payment terms	% of total sales or assets (Note 3)
0	AP Memory Technology Corporation	AP Memory Corp, USA	(1)	Contracted research expenses	$ 65,835	Note 5	1.86%
0	AP Memory Technology Corporation	AP Memory Corp, USA	(1)	Other payables	15,445	Note 5	0.39%
0	AP Memory Technology Corporation	Zentel Electronics Corp.	(1)	Operating revenue	56,071	Note 5	1.58%
0	AP Memory Technology Corporation	Zentel Electronics Corp.	(1)	Purchase	15,715	Note 5	0.44%
0	AP Memory Technology Corporation	Zentel Electronics Corp.	(1)	Other income	24,000	Note 5	0.68%
0	AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	(1)	Operating revenue	144,805	Note 5	4.08%
0	AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	(1)	Accounts receivable	48,604	Note 5	1.22%
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(1)	Operating revenue	228,678	Note 5	6.44%
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(1)	Accounts receivable	151,870	Note 5	3.81%
0	AP Memory Technology Corporation	Zentel Japan Corp.	(1)	Operating revenue	349,866	Note 5	9.86%
0	AP Memory Technology Corporation	Zentel Japan Corp.	(1)	Purchase	65,467	Note 5	1.84%
0	AP Memory Technology Corporation	Zentel Japan Corp.	(1)	Contracted research expenses	33,420	Note 5	0.94%
1	AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited	(3)	Revenue from the rendering of services	25,600	Note 5	0.72%
1	AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited .	(3)	Accounts receivable	16,906	Note 5	0.42%
1	AP Memory Technology (Hangzhou) Limited Co.	Zentel Japan Corp.	(3)	Other operating revenue	193	Note 5	-
2	Zentel Electronics Corp.	Zentel Japan Corp.	(3)	Operating revenue	8,864	Note 5	0.25%
2	Zentel Electronics Corp.	Zentel Japan Corp.	(3)	Purchase	31,975	Note 5	0.90%

Note 1: Transactions between the parent company and subsidiaries shall be marked in the in the field of “No.”. The numbers that shall be filled in are as follow:

(1) Parent company: “0”.

(2) Subsidiaries: are numbered starting from “1”.

Note 2: There are three types of counterparty relationships. Mark only the type of relationship:

(1) Parent company to subsidiary;

(2) Subsidiary to parent company;

(3) Subsidiary to subsidiary.

Note 3: With respect to the percentage of transaction amount in total revenue or total assets, those that are recognized as assets and liabilities shall be calculated by dividing the end balance with the total consolidated assets; those that are recognized as a profit or loss shall be calculated by dividing the amount accumulated in the current period by the total consolidated revenue

Note 4: Relevant transactions were eliminated in the consolidated financial statements.

Note 5: If no transactions of the same type can be referred to, the payment term shall refer to that agreed by both parties.

AP Memory Technology Corporation and Subsidiaries

Information of Investees

For the year ended December 31, 2020

Appendix 8

(In Thousands of New Taiwan Dollars
Unless Otherwise Specified)

Investor	Investee	Location	Main business activities	Original investment amount		Balance at the end of the year			Net income of the investee (Note 2)	Investment profit or loss recognized in the year (Notes 2 and 3)	Remarks
				At the end of the year	At the end of last year	Number of shares	% of owners hip	Carrying amount (Notes 1 and 3)			
AP Memory Technology Corporation	AP Memory Corp, USA	Suite 251,BG Plaza,3800 S.W. Cedar Hills Blvd, Beaverton OR. 97005, USA	IC research and development services	$ 60,521 (USD 2,000,000)	$ 60,521 (USD 2,000,000)	2,000,000	100%	$ 43,245	($ 982) (USD 33,222)	($ 982)	Subsidiary
	AP MEMORY HOLDING Co., Ltd.	P.O.Box 1239,Offshore Incorporations Centre, Victoria, Mahé, Republic of Seychelles	Investment related services	-	31,982 (USD 1,000,000)	-	-	-	(2,702)	(2,702)	Subsidiary (Note 7)
	Zentel Electronics Corp.	10F-1, No. 1, Taiyuan 1st St., Zhubei City, Hsinchu County	IC research, development and sales	705,798	705,798	40,000,000	100%	955,794	462,615	319,285	Subsidiary
	Lyontek Inc.	No. 17, Industry East 2nd Road, East District, Hsinchu City	IC design and sales	75,060	75,060	3,600,000	30%	79,905	17,065	5,120	Associate
	AP Memory Japan G.K.	5-5 Azumachō, Hachioji, Tokyo	Sale of ICs	-	-	-	-	-	-	-	Subsidiary (Note 4)
	GeneASIC Technologies Corporation	No. 88, Weixin St., Zhubei City, Hsinchu County	IC design and manufacturing.	-	-	-	-	-	(860)	(172)	Associate (Note 8)
Zentel Electronics Corp.	Zentel Japan Corp.	6-chōme-21-3 Shinbashi, Minato City, Tokyo	IC development and design	-	489,169 (JPY 1,774,924,000)	-	-	-	38,641	29,367	Subsidiary (Note 6)
AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited	Rm.19C,Lockhart Ctr.,301-307 Lockhart Rd.,Wan Chai, Hong Kong.	Sale of ICs	-	-	-	100%	9	9	9	Subsidiary (Note 5)

Note 1: Based on the exchange rate at December 31, 2020.

Note 2: Based on the average exchange rate for the year ended December 31, 2020.

Note 3: Apart from GeneASIC Technologies Corporation, the numbers are calculated based on investor's CPA-certified financial statements prepared for the same fiscal year. The Corporation's assessment on GeneASIC Technologies Corporation has not been audited, but will not result in significant influence.

Note 4: The Group reached a decision to dissolve AP Memory Japan G.K. on September 18, 2020; and completed the registration on November 2, 2020.

Note 5: To cope with the future operational deployment planning, AP Memory Technology (Hangzhou) Limited Co. established a subsidiary "AP Memory Technology (Hong Kong) Co. Limited" in Hong Kong in October 2019. However, no capital has been invested therein so far.

Note 6: Zentel Japan sold 24% equity on January 2, 2020 and the remaining on November 30, 2020.

Note 7: The Group already sold all its equity in AP-HOLDING on March 20, 2020.

Note 8: GeneASIC Technologies Corporation had a seasoned equity offering (SEO) on December 15, 2020. The Group, which has its shareholding ratio dropped from 20% to 19.05%, lost its significant influence on the company.

AP Memory Technology Corporation and Subsidiaries

Information on investments in Mainland China - AP Memory Technology Corporation

For the year ended December 31, 2020

Appendix 9

(In Thousands of New Taiwan Dollars
Unless Otherwise Specified)

Investee	Main business activities	Paid-in capital (Note 1)	Investment method	Accumulated investment outflow from Taiwan at the beginning of the year	Investment flows		Accumulated investment outflow from Taiwan at the end of the year (Note 1)	Net income of the investee (Note 4)	The Corporation's direct or indirect shareholding	Investment profit or loss recognized in the year (Notes 4 and 6)	Carry amount of the investment at the end of the year (Notes 5 and 6)	Inward investment benefits at the end of the year
					Outflow	Inflow						
AP Electronics (Beijing) Co., Ltd.	Technical consulting and services of ICs	$ 27,601 (USD 850,000)	Note 2	$ 27,601 (USD 850,000)	$ -	$ Note 9	$ -	($ 2,710)	-	($ 2,710)	$ -	$ -
AP Memory Technology (Hangzhou) Limited Co.	IC research, development and sales	30,344 (USD 1,000,000)	Note 3	30,344 (USD 1,000,000)	-	-	30,344 (USD 1,000,000)	$ 6,284	100%	6,284	24,873	-

Accumulated Investment in Mainland China at the end of the year	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$30,344(USD1,000,000)	$30,344(USD1,000,000)	$1,861,782 (Note 7)

Note 1: The calculation is based on the original investment costs.

Note 2: A reinvestment made through AP MEMORY HOLDING Co., Ltd., which is in a third place.

Note 3: A direct investment to AP Memory Technology (Hangzhou) Limited Co. by AP Memory Technology Corporation.

Note 4: Based on the average exchange rate of 2020.

Note 5: Based on the exchange rate at December 31, 2020.

Note 6: The calculation is based on the parent company's (Taiwan) CPA-certified financial statements prepared for the same fiscal year.

Note 7: The calculation is made based on 60% of the Corporation's net value at December 31, 2020 in accordance with Letter Ching-Shen-Tzu No. 09704604680 issued by the Ministry of Economic Affairs.

Note 8: The investment amount remitted by AP Memory Technology Corporation has been approved by Investment Commission, MOEA in writing.

Note 9: The Group sold AP-Holding on March 20, 2020 and therefore immediately lost control over AP Beijing possessed by AP-HOLDING (with 100% shareholding).

AP Memory Technology Corporation

Information on Major Shareholders

December 31, 2020

Appendix 10

Name of major shareholders	Shares	
	No. of shares	Percentage of ownership
Shanyi Investment Co.,Ltd.	13,228,334	17.82
Huang Chung-jen	4,030,503	5.43

Note 1: The above table discloses the information on stockholders with over 5% ownership of the Corporation on the last business day as of the end of the reporting period. The percentage of ownership was calculated by the Taiwan Depository & Clearing Corporation (TDCC) based on the number of common stock and preferred stock, including treasury stock, registered by the Corporation through the delivering of non-physical securities to TDCC. The number of issued capital stock recorded in the consolidated financial statements may be different from the actual number of stock registered by the Corporation through the delivering of non-physical securities to TDCC due to the difference in the calculation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual truster who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.