

AP Memory Technology Corporation

Individual Financial Statements and Independent Auditors' Report

For the Years Ended December 31, 2022 and 2021

INDEPENDENT AUDITORS'S REPORT

The Board of Directors and Stockholders
AP Memory Technology Corporation

Opinion

We have audited the accompanying individual financial statements of AP Memory Technology Corporation (hereinafter referred to as the Corporation), which comprise the individual balance sheet (“individual balance sheet”) as of December 31, 2022 and 2021, and the individual statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the individual financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2022 and 2021, and its individual financial performance and its individual cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Individual Financial Statements section of our report. We are independent of the Corporation 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 Corporation's individual financial statements for the year ended 2022. These matters were addressed in the context of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Corporation's individual financial statements for the year ended 2022 are described as follows:

Sales Revenue from Specific Customers

The sales revenue of AP Memory Technology Corporation was \$4,971,181 thousand in 2022. The revenue from sales to some customers, which increased significantly comparing with the previous year, counts for a large portion of the total sales revenue and is therefore determined as one of the key audit matters.

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

1. Understand and evaluate revenue recognition related internal control system and test the design and implementation of thereof.
2. Target specific customers to randomly select related revenue transactions and issue an inquiry letter thereto accordingly. If the inquiry letter cannot be taken back on time, implement alternative procedures, such as checking transaction certificates and post-period payment collection status.
3. Target specific customers to sample the sales revenue records thereof; and review related transaction documents, such purchase order, shipping documents and payment collection receipts to confirm the authenticity of revenue recognition.
4. Sample post-period sales returns, discounts and payment collection status to confirm the rationality of revenue recognition.

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

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of individual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual financial statements, management is responsible for assessing the Corporation'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 Corporation 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 Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Individual Financial Statements

Our objectives are to obtain reasonable assurance about whether the individual 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 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 individual financial statements.

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

1. Identify and assess the risks of material misstatement of the individual 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 Corporation'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 Corporation'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 individual 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 Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the individual financial statements, including the disclosures, and whether the individual 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 Corporation to express an opinion on the individual financial statements. We are responsible for the direction, supervision and performance of the Corporation 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 Corporation's individual financial statements for the year ended 2022 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
Republic of China
February 24, 2023

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China. For the convenience of readers, the independent 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. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

AP Memory Technology Corporation
Individual Balance Sheet
As of December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

Assets	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
Current assets				
Cash and cash equivalents (Notes 4 and 6)	\$ 8,003,529	69	\$ 2,303,832	37
Valuation gain on financial assets at fair value through profit or loss - Current (Notes 4, 8 and 27)	2,782	-	2763	-
Accounts receivable (Notes 4, 9 and 19)	500,338	4	740,801	12
Accounts receivable from related parties (Notes 4, 9, 19 and 26)	120,782	1	110,246	2
Current tax assets	80	-	-	-
Other receivables (Notes 4 and 9)	31,879	-	38,095	-
Inventories (Notes 4 and 10)	1,528,127	13	1,696,402	27
Other current assets (Note 15)	47,832	1	7,015	-
Total current assets	<u>10,235,349</u>	<u>88</u>	<u>4,899,154</u>	<u>78</u>
Non-current assets				
Valuation gain on financial assets at fair value through profit or loss- Non-current (Notes 4, 5, 7 and 25)	256,007	2	141,989	2
Investments accounted for using equity method (Notes 4 and 11)	340,929	3	329,481	5
Property, plant and equipment (Notes 4 and 12)	79,251	1	80,347	1
Right-of-use assets (Notes 4 and 13)	71,799	1	97,499	2
Other intangible assets (Notes 4 and 14)	4,106	-	6,098	-
Deferred income tax assets (Notes 4 and 21)	31,163	-	25,486	1
Refundable deposits (Note 28)	464,027	4	464,609	8
Other non-current assets (Note 15)	173,802	1	205,876	3
Total non-current assets	<u>1,421,084</u>	<u>12</u>	<u>1,351,385</u>	<u>22</u>
Total assets	<u>\$ 11,656,433</u>	<u>100</u>	<u>\$ 6,250,539</u>	<u>100</u>
Liabilities and equity				
Current liabilities				
Contract liabilities (Notes 4 and 29)	\$ 22,981	-	\$ 172,570	3
Accounts payable	149,961	1	600,046	10
Other payables (Note 16)	104,047	1	153,178	2
Other payables from related parties (Note 26)	15,830	-	14,532	-
Current tax liabilities	295,101	3	387,146	6
Lease liabilities – Current (Notes 4 and 13)	50,771	-	40,872	1
Other current liabilities (Note 16)	2,389	-	3,392	-
Total current liabilities	<u>641,080</u>	<u>5</u>	<u>1,371,736</u>	<u>22</u>
Non-current liabilities				
Deferred tax liabilities (Notes 4 and 21)	45,132	1	19,278	-
Lease liabilities - Non-current (Notes 4 and 13)	5,654	-	50,570	1
Guarantee deposits received	14,000	-	14,000	-
Total non-current liabilities	<u>64,786</u>	<u>1</u>	<u>83,848</u>	<u>1</u>
Total liabilities	<u>705,866</u>	<u>6</u>	<u>1,455,584</u>	<u>23</u>
Equity (Notes 4, 18 and 23)				
Share capital				
Ordinary share	807,786	7	744,316	12
Advance receipts for ordinary share	848	-	2,861	-
Total shares	<u>808,634</u>	<u>7</u>	<u>746,997</u>	<u>12</u>
Capital surplus	6,178,947	53	1,054,788	17
Retained earnings				
Legal reserve	566,709	5	364,163	6
Unappropriated retained earnings	3,396,727	29	2,631,525	42
Total retained earnings	<u>3,963,436</u>	<u>34</u>	<u>2,995,688</u>	<u>48</u>
Other equity interest	(450)	-	8,728	-
Treasury shares	-	-	(11,246)	-
Total equity	<u>10,950,567</u>	<u>94</u>	<u>4,794,955</u>	<u>77</u>
Total liabilities and equity	<u>\$ 11,656,433</u>	<u>100</u>	<u>\$ 6,250,539</u>	<u>100</u>

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

AP Memory Technology Corporation
Individual Statements of Comprehensive Income
For the years ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars,
except earnings per share)

	2022		2021	
	Amount	%	Amount	%
Operating revenue (Notes 4, 19 and 26)	\$ 4,971,181	100	\$ 6,461,280	100
Operating costs (Notes 10, 20 and 26)	<u>2,863,822</u>	<u>58</u>	<u>3,593,354</u>	<u>56</u>
Gross profit	<u>2,107,359</u>	<u>42</u>	<u>2,867,926</u>	<u>44</u>
Operating expense (Notes 4, 9, 20 and 26)				
Selling expense	101,292	2	101,916	2
Administrative expense	116,928	2	166,463	2
Research and development expense	392,505	8	278,473	4
Expected credit/ impairment (gain on reversal of impairment loss) loss	(638)	-	602	-
Total operating expense	<u>610,087</u>	<u>12</u>	<u>546,250</u>	<u>8</u>
Net operating income	<u>1,497,272</u>	<u>30</u>	<u>2,321,676</u>	<u>36</u>
Non-operating income and expense				
Interest income (Notes 4 and 20)	1,769	-	982	-
Share of profit of subsidiaries and associates accounted for using equity method (Notes 4 and 11)	19,243	1	85,024	1
Interest income (Note 4)	104,889	2	3,110	-
Loss on disposals of property, plant and equipment	54	-	-	-
Gains on disposals of investments(Note18)	13,443	-	-	-

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	2022		2021	
	Amount	%	Amount	%
Foreign exchange gains (losses) – Net (Notes 4 ,20and 29)	\$ 700,965	14	(\$ 14,849)	-
Gains on financial assets (liabilities) at fair value through profit or loss (Notes 4 and 25)	114,018	2	118,983	2
Interest expense	(1,341)	-	(1,806)	-
Total non-operating income and expense	<u>953,040</u>	<u>19</u>	<u>191,444</u>	<u>3</u>
Income before tax	2,450,312	49	2,513,120	39
Income tax expense (Notes 4 and 21)	(508,616)	(10)	(487,663)	(8)
Net profit (loss) for the year	<u>1,941,696</u>	<u>39</u>	<u>2,025,457</u>	<u>31</u>
Other comprehensive income (Notes 4 and 18)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	2,860	-	(1,299)	-
Share of the other comprehensive income of subsidiaries accounted for using equity method	<u>1,405</u>	<u>-</u>	(<u>15</u>)	<u>-</u>
	<u>4,265</u>	<u>-</u>	(<u>1,314</u>)	<u>-</u>
Other comprehensive income for the year (net of income tax)	<u>4,265</u>	<u>-</u>	(<u>1,314</u>)	<u>-</u>
Total comprehensive income for the year	<u>\$ 1,945,961</u>	<u>39</u>	<u>\$ 2,024,143</u>	<u>31</u>
Earnings per share (Note 22)				
Basic	<u>\$ 12.09</u>		<u>\$ 13.67</u>	
Diluted	<u>\$ 11.96</u>		<u>\$ 13.45</u>	

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

AP Memory Technology Corporation
Individual Statements of Changes in Equity
For the years ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

	Share capital (Notes 4, 18 and 23)			Capital surplus (Notes 4, 18 and 23)	Retained earnings (Notes 4 and 18)				Other equity (Notes 4, 18) Exchange differences on translating the financial statements of foreign operations	Treasury shares (Notes 4 and 18)	Total equity	
	Ordinary share	Advance receipts for ordinary share	Total		Legal reserve	Special reserve	Unappropriated retained earnings					Total
Balance at January 1, 2021	\$ 742,316	\$ 532	\$ 742,848	\$ 1,020,722	\$ 282,992	\$ 4,576	\$ 1,053,036	\$ 1,340,604	\$ 10,042	(\$ 11,246)	\$ 3,102,970	
Appropriation of the 2020 earnings												
Legal reserve					81,171		(81,171)					
Special reserve	-	-	-	-		(4,576)	4,576					
Cash dividends distributed by the Corporation	-	-	-	-			(370,373)	(370,373)			(370,373)	
Compensation cost for employee share options	-	-	-	25,465							25,465	
Net profit for the year 2021	-	-	-	-			2,025,457	2,025,457			2,025,457	
Other comprehensive income after tax for the year 2021	-	-	-	-					(1,314)		(1,314)	
Total comprehensive income for the year 2021	-	-	-	-			2,025,457	2,025,457	(1,314)		2,024,457	
Issuance of ordinary shares under the employee share option plan	1,820	2,329	4,149	8,601							12,750	
Balance at December 31, 2021	744,136	2,861	746,997	1,054,788	364,163		2,631,525	2,995,688	8,728	(11,246)	4,794,955	
Appropriation of the 2021 earnings												
Legal reserve	-	-	-	-	202,546		(202,546)					
Cash dividends distributed by the Corporation	-	-	-	-			(968,275)	(968,275)			(968,275)	
Compensation cost for employee share options	-	-	-	26,099							26,099	
Proceeds from disposal of investments accounted for using equity method	-	-	-	-					(13,443)		(13,443)	
Capital increase by issuing share	64,000		64,000	5,087,283							5,151,283	
Treasury stock retired	(2,580)	-	(2,580)	(2,993)			(5,673)	(5,673)		11,246		
Net profit for the year 2022	-	-	-	-			1,941,696	1,941,696			1,941,696	
Other comprehensive income after tax for the year 2022	-	-	-	-					4,265		4,265	
Total comprehensive income for the year 2022	-	-	-	-			1,941,696	1,941,696	4,265		1,945,961	
Issuance of ordinary shares under the employee share option plan	2,230	(2,013)	217	13,770							13,987	
Balance at December 31, 2022	\$ 807,786	\$ 848	\$ 808,634	\$ 6,178,947	\$ 566,709	\$ -	\$ 3,396,727	\$ 3,963,436	(\$ 450)	\$ -	\$ 10,950,567	

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

AP Memory Technology Corporation
Individual Statements of Cash Flows
For the years ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

	2022	2021
Cash flow from operating activities		
Income before tax for the year	\$ 2,450,312	\$ 2,513,120
Adjustments to reconcile profit (loss)		
Depreciation expense	53,997	43,001
Amortization expense	2,791	14,439
Expected credit/ impairment (gain on reversal of impairment loss) loss	(638)	(602)
Valuation gain on financial assets at fair value through profit or loss	(114,018)	(118,983)
Interest expense	1,341	1,806
Interest income	(104,889)	(3,110)
Dividend income	(322)	(503)
Cost of share-based payment	20,179	20,135
Share of profit (loss) of subsidiaries and associates accounted for using equity method	(19,243)	(85,024)
Loss on disposal and scrap of property, plant and equipment	494	-
Gains on disposal of associates accounted for using equity method	(13,443)	
Loss of inventory falling price and slow-moving inventory	25,604	63,481
Unrealized foreign exchange gain	(2,451)	(24,446)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	-	225,207
Accounts receivable	235,356	(91,907)
Other receivables	19,293	383,337
Inventories	142,671	(1,135,021)
Prepayment	(8,715)	(89,037)
Other current assets	(26)	(81)
Refundable deposits	582	(243,440)
Contract liabilities	(149,589)	172,570
Accounts payable	(452,124)	373,870
Other payables	(48,098)	(153,094)
Other current liabilities	(1,003)	1,251
Cash inflow (outflow) generated from operations	2,038,061	1,866,969
Interest received	93,227	3,030

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	2022	2021
Dividend received	\$ 322	\$ 503
Interest paid	(1,341)	(1,808)
Income taxes paid	(580,544)	(84,913)
Net cash inflow (outflow) generated from operating activities	<u>1,549,725</u>	<u>1,783,781</u>
Cash flows from investing activities		
Acquisition of investment accounted for using equity method	(70,911)	-
Proceeds from disposal of subsidiaries	76,239	-
Purchase of property, plant and equipment	(24,302)	(88,055)
Decrease (increase) in refundable deposits	-	(12,975)
Acquisition of intangible assets	(799)	(6,564)
Dividends received from associates and subsidiaries	<u>11,160</u>	<u>492,041</u>
Net cash flows from investing activities	<u>(8,613)</u>	<u>384,447</u>
Cash flows from (used in) financing activities		
Decrease in short-term loans	-	(85,140)
Increase in guarantee deposits	-	14,000
Payment of lease liabilities	(38,410)	(32,770)
Cash dividend paid	(968,275)	(370,373)
Proceeds from issuing shares	5,151,283	-
Exercise of employee share options	13,987	12,750
Acquisition of ownership interests in subsidiaries (Note 11)	-	(27,665)
Disposal of ownership interests in subsidiaries	<u>-</u>	<u>399,000</u>
Net cash from financing activities	<u>4,158,585</u>	<u>(90,198)</u>
Net increase in cash and cash equivalents	5,699,697	2,078,030
Cash and cash equivalents at the beginning of the year	<u>2,303,832</u>	<u>225,802</u>
Cash and cash equivalents at the end of the year	<u>\$ 8,003,529</u>	<u>\$ 2,303,832</u>

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

AP Memory Technology Corporation
Notes to the Individual Financial Statements
For the years ended December 31, 2022 and 2021
(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 Corporation also, for the first time ever, publicly issued global depository receipts (GDRs) by issuing new shares for capital increase in January 2022; and then become a listed company at Luxembourg Stock Exchange.

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

2. Approval of Financial Statements

The individual financial statements were approved by the Corporation’s board of directors on February 24, 2023.

3. Application of New Amended and Revised Standards and Interpretation

- (1) 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 Corporation’s accounting policy.

- (2) Applicable IFRSs endorsed by FSC in 2022

<u>Newly released, amended or revised standards and interpretations</u>	<u>Effective date issued by IASB</u>
Disclosure of Accounting Policies (Amendments to IAS 1)	January 1, 2023 (Note 1)
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023 (Note 2)
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023 (Note 3)

- Note 1: The amendments are applicable to the reporting period beginning on or after January 1, 2023.
- Note 2: The amendments are applicable to changes to accounting estimates and accounting policy during annual reporting period beginning on or after January 1, 2023.
- Note 3: The amendments are applicable to transactions beginning on or after January 1, 2022, except for deferred income tax recognized for temporary differences in lease and decommissioning obligations on January 1, 2022.

As of the publication date of the individual financial statements, the Corporation still continuously evaluate the impact of the aforesaid standard and interpretation amendments to the Corporation's financial position and financial performance.

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

<u>Newly released, amended or revised standards and interpretations</u>	<u>Effective date issued by IASB (Note 1)</u>
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Undefined
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	January 1, 2024 (Note 2)
IFRS 17 Insurance Contract (Amendments to IFRS 17)	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Initial Application of IFRS 17 and IFRS 9 — Comparative Information (Amendments to IFRS 17)	January 1, 2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2024
Non-current Liabilities with Covenants (Amendments to IAS 1)	January 1, 2024

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: The seller-lessee should retrospectively apply the amendments to IFRS16 for sale and leaseback transactions signed after the initial adoption of IFRS16.

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

4. Summary of Significant Accounting Policies

- (1) Statement of compliance

The individual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and related regulations.

- (2) Basis of preparation

The individual 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:

- A. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- B. 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
- C. Level 3 inputs are unobservable inputs for the asset or liability.

When preparing these individual financial statements, the Corporation used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit (loss) for the year, other comprehensive income for the year and total equity in these individual financial statements to be the same with the amounts attributable to the Corporation's consolidated financial statements, adjustments arising from the differences in accounting treatments between the individual basis and consolidated basis were made to "investments accounted for using equity method", "the share of profit or loss of subsidiaries and associates", "the share of other comprehensive income of subsidiaries and associates" and the related equity items, as appropriate, in the individual financial statements.

(3) Classification of current and non-current assets and liabilities

Current assets include:

- A. Assets held primarily for the purpose of trading;
- B. Assets expected to be realized within 12 months after the reporting period; and
- C. 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:

- A. Liabilities held primarily for the purpose of trading;
- B. Liabilities due to be settled within 12 months after the reporting period, and
- C. Liabilities for which the Corporation 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.

(4) Foreign currencies

In preparing the Corporation's individual 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 individual financial statements, the functional currencies of the Corporation and 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 Corporation's foreign ownership interests, the currency translation differences accumulated in equity will be reclassified to profit or loss.

(5) 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.

(6) Investments in subsidiaries

The Corporation uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Corporation.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the Corporation's share of equity of subsidiaries attributable to the Corporation.

Changes in the Corporation's ownership interest in subsidiary that do not result in the Corporation losing control of the subsidiary are equity transactions. The Corporation recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Corporation's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the

equity method and long-term interests that, in substance, form part of the Corporation's net investment in the subsidiary), the Corporation continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary 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 Corporation's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Corporation loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Corporation had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the individual financial statements.

(7) Investment in associates

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

The Corporation 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 Corporation's share of the profit or loss and other comprehensive income of the associate. The Corporation also recognizes the changes in the Corporation's share of the equity of associates attributable to the Corporation.

Any excess of the cost of acquisition over the Corporation'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 Corporation'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 Corporation discontinues the use of the equity method from the date when the Corporation ceases to have significant influence over an associate. When the Corporation retains an interest in the former associate, the Corporation 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 Corporation transacts with its associate, profits and losses resulting from the transactions with the associate are recognized only in the individual financial statements only to the extent of interests in the associate that are not related to the Corporation.

(8) 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.

(9) Intangible assets

A. 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 estimates accounted for on a prospective basis.

B. 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.

(10) Impairment of property, plant, equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Corporation 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 Corporation 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.

(11) Financial instruments

Financial assets and financial liabilities are recognized in individual balance sheet when the Corporation 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.

A. Financial assets

The customary transactions of financial assets are recognized and derecognized based on the trading date for accounting purposes.

a. Measurement categories

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

(a) 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 Corporation 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.

(b) 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, cash equivalents, debt investments at amortized cost, accounts receivable (including those from related parties), 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. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b. Impairment of financial assets

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

The Corporation always recognizes lifetime Expected Credit Loss (i.e. ECLs) for accounts receivable. For all other financial instruments, the Corporation 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 Corporation 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 Corporation, 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 Corporation 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 Corporation 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.

B. Equity instruments

Liability and equity instruments issued by the Corporation 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 Corporation 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.

C. 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.

(12) Revenue recognition

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

A. 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 advance receipts from the sale of goods are recognized as contract liabilities before the goods arrive.

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

B. 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.

Regarding the service of procuring wafers on behalf of customers, as the Corporation does not obtain control over the wafers before transferring them to customers, the Corporation is not responsible for whether the wafers are accepted by the customers or not. Besides, as the Corporation does not make any commitment for procuring wafers

before customers place an order, the Corporation does not suffer from any inventory risk. The wafer procurement service is provided by the Corporation as an agent and, after the control over the wafers has been transferred to customers and after the Group has fulfilled all obligations, the net value shall be recognized as revenue and accounts receivable. The remaining payments, on the other hand, shall be listed as other receivables and payables for the procurement of wafers.

The design and development services provided by the Group are recognized according to the contract schedule

C. Revenue from licensing

As technology licensing does not change the functionality of silicon intellectual property and the technology can continue to function without updating and technical support, the charged licensing fee is recognized as revenue from licensing when transferring the use right of silicon intellectual property.

(13) Leases

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

The Corporation as lessee

Except for short-term leases and low-value asset leases which are recognized as expense on straight-line basis over the lease terms, the Corporation 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 individual 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 Company 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 Corporation 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 individual balance sheet.

- (14) Employee benefits
- A. 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.
- B. Retirement benefits
- Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.
- (15) Share-based payment arrangements
- A. Equity-settled employee share options offered to employees
- 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 Corporation'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. It is recognized as an expense in full at the grant date if vested immediately.
- At the end of each reporting period, the Corporation revises its estimate of the number of employee share options. 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.
- B. Equity-settled employee share options offered to subsidiaries' employees
- The fair value at the grant date of the equity-settled employee share options, which is deemed as the Corporation's investment in subsidiaries, is recognized as an increase in the carrying amount of investment in subsidiaries over the vesting period with a corresponding adjustment to capital surplus – employee share options.

(16) Income taxes

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

A. Current tax

The laws of the Republic of China are adopted to conclude the Corporation's current income, on which the payable (recoverable) income tax is then calculated based.

According to the Republic of China Income Tax Law, an additional tax of unappropriated earnings is recognized in current tax in the year of approval by the shareholders' meeting resolution.

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

B. 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 Corporation 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 Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

C. 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 Corporation'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.

Fair value measurements and valuation process

When the assets and liabilities measured at fair value do not have market quotation in an active market, the Corporation shall decide whether to outsource the valuation process in accordance with relevant regulations or based on the evaluation thereof; and shall determine the appropriate fair value valuation techniques.

If the estimated fair value fails to obtain Level I inputs, the Corporation or appraiser appointed thereby shall decide the input value based on the analysis of investee's financial status and operations results; recent transaction price; quotation of the same equity instrument in inactive market; quotation of similar instrument in the active market; and comparable company valuation multiples. If the actual change in the future input value is different from the expected, the fair value may change accordingly.

The Corporation shall update the input value according to the market status on a quarterly basis in order to monitor the fair value measurement and ensure the appropriateness thereof.

For detailed information about fair value valuation techniques, please refer to Notes 7 and 25.

6. Cash and Cash Equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 30	\$ 30
Demand deposits	933,572	953,802
Cash equivalents (investments with original maturities of three months or less)		
Time deposits	<u>7,069,927</u>	<u>1,350,000</u>
	<u>\$ 8,003,529</u>	<u>\$ 2,303,832</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank deposit	0.395%~0.455%	0.001%~0.05%
Time deposits	0.31%~4.31%	0.05%~0.4%

7. Financial Instruments at FVTPL

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets - Non-current</u>		
Non-derivative financial assets		
- Foreign unlisted (non-OTC) stocks		
Haining Changmeng Tachnology Partnership		
Enterprise (Limited Partnership) (1)	\$ 248,619	\$ 123,638
- Domestic listed (OTC) stocks		
Powerchip Semiconductor Manufacturing Corp. (2)	5,368	12,001
- Domestic unlisted (non-OTC) stocks		
GeneASIC Technologies Corporation (3)	<u>2,020</u>	<u>6,350</u>
	<u>\$ 256,007</u>	<u>\$ 141,989</u>

- (1) The Corporation 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 Corporation does not have the ability to influence relevant activities and therefore does not have relevant significant influence. As of December 31, 2022, the Corporation has contributed 24.64% of the total paid-in capital.
- (2) 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 and August 2021, the Group sold 250,000 and 451,000 shares at \$16,713 thousand and \$30,809 thousand; and produced realized benefits amounted at \$14,188 thousand and \$26,253 thousand, respectively. The Group also purchased 70 thousand shares newly issued by PSMC for capital increase and the investment amount thereof was \$2,782 thousand. As of December 31, 2021, the Group possesses 0.004% of PSMC's shares.
- (3) In August 2020, the Group acquired 500 thousand ordinary shares of GeneASIC Technologies Corporation (hereinafter referred to as GeneASIC) in August 2020 at the price of \$500 thousand. As of December 31, 2022, the Group possesses 14.46% of GeneASIC's shares.

8. Financial Assets at Amortized Cost

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Time deposits with the original maturity of more than 3 months.	\$ <u>2,782</u>	\$ <u>2,763</u>

Please refer to Note 27 for information relating to investments.

9. Accounts Receivable and Other Receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Accounts receivable</u>		
Measured at amortized cost		
Gross carrying amount	\$ 500,342	\$ 742,285
Less: Allowance for impairment loss	(<u>4</u>)	(<u>1,484</u>)
	\$ <u>500,338</u>	\$ <u>740,801</u>
<u>Accounts receivable from related parties</u>		
Measured at amortized cost	\$ <u>120,782</u>	\$ <u>110,246</u>
<u>Other receivables</u>		
Tax receivable	\$ 16,947	\$ 34,257
Others	<u>14,932</u>	<u>3,838</u>
	\$ <u>31,879</u>	\$ <u>38,095</u>

Accounts receivable

In order to minimize credit risk, the management of the Corporation 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 Corporation reviews the recoverable amount of each individual trade debt 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 Corporation's credit risk was significantly reduced.

The Corporation 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. The Corporation divides customers into segments based on historical credit loss experience; and sets ECL based on past due status of different customer base.

The Corporation 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 Corporation 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 as assessed by the Corporation based on provision matrix:

December 31, 2022

	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 361 days	Total
Gross carrying amount	\$ 369,335	\$ 14,462	\$ 15,355	\$ 24,568	\$ 197,404	\$ -	\$ -	\$ 621,124
Impairment loss allowance (lifetime ECL)	-	-	-	-	(4)	-	-	(4)
Amortized cost	\$ 369,335	\$ 14,462	\$ 15,355	\$ 24,568	\$ 197,400	\$ -	\$ -	\$ 621,120

December 31, 2021

	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 361 days	Total
Gross carrying amount	\$ 668,713	\$ 168,782	\$ 14,209	\$ -	\$ -	\$ -	\$ 827	\$ 852,531
Impairment loss allowance (lifetime ECL)	(120)	(201)	(336)	-	-	-	(827)	(1,484)
Amortized cost	\$ 668,593	\$ 168,581	\$ 13,873	\$ -	\$ -	\$ -	\$ -	\$ 851,047

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

	2022	2021
Balance at the beginning of the year	\$ 1,484	\$ 2,086
Less: Reversal impairment loss for the period	(638)	(602)
Less: Impairment loss recognized for the period	(842)	-
Cash at the end of the year	\$ 4	\$ 1,484

10. **Inventories**

	December 31, 2022	December 31, 2021
Finished goods	\$ 340,178	\$ 212,581
Work-in-process goods	219,087	659,230
Raw materials	968,862	824,591
	<u>\$ 1,528,127</u>	<u>\$ 1,696,402</u>

The nature of operating costs is as follows:

	2022	2021
Cost of inventories sold	\$ 2,838,218	\$ 3,529,873
Inventory devaluation	25,604	63,481
	<u>\$ 2,863,822</u>	<u>\$ 3,593,354</u>

11. **Investments Accounted for Using Equity Method**

	December 31, 2022	December 31, 2021
Investments in subsidiaries	\$ 225,938	\$ 242,358
Investments in associates	114,991	87,123
	<u>\$ 340,929</u>	<u>\$ 329,481</u>

(1) **Investments in subsidiaries**

	December 31, 2022	December 31, 2021
AP Memory Corp, USA (hereinafter referred to as “AP-USA”)	\$ 34,386	\$ 33,855
Zentel Electronics Corp. (hereinafter referred to as “Zentel Electronics”)	-	75,784
AP Memory Technology (Hangzhou) Limited Co.	155,892	132,719

(hereinafter referred to as “AP Hangzhou”)		
APware Technology Corp. (hereinafter referred to as APware)	-	-
VIVR Corporation (hereinafter referred to as VIVR)	30,659	-
CascadeTeq Inc. (hereinafter referred to as CascadeTeq)	5,001	-
	<u>\$ 225,938</u>	<u>\$ 242,358</u>

	Proportion of ownership interests and voting rights	
	December 31, 2022	December 31, 2021
AP-USA	100%	100%
Zentel Electronics	-	100%
AP Hangzhou	100%	100%
APware	100%	100%
VIVR	100%	-
CascadeTeq	100%	-

Please refer to Note 30 and Appendixes 3 and 4 for the Corporation’s indirectly held investments in subsidiaries.

- 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 February 24, 2023, the Corporation already contributed US\$2,000 thousand of capital thereto.
- B. 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 \$441,040 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 has reduced capitalization and returned the share money of \$399,000 thousand on July 30, 2021. Considering the Group’s overall operational and resource allocation plans, Zentel Electronics dissolved on June 30, 2022 and completed the liquidation process on January 12, 2023.
- C. Established in Hangzhou in December 2017, AP Hangzhou mainly engages in the design, development and sale of Ics. In 2021, the Corporation contributed US\$1,000 thousand of

capital thereto. As of February 24, 2023, AP Hangzhou's paid-in capital is amounted US\$2,000 thousand.

- D. To cope with the projected growth of reinvestment business and to develop into operational deployment planning, the board of directors has adopted the resolution of establishing the subsidiary "Apware Technology Corp." (hereinafter referred to as Apware) in Cayman Islands on October 15, 2021; and Apware, which engages in IC design, development and sales, was established in October 2021. As of February 24, 2023, the Corporation has not invested capital therein yet.
- E. To cope with future product development and plan for operational deployment, the Corporation's board of directors resolved to establish a subsidiary, VIVR, in the united States on August 30, 2022. VIVR was in December 2022 and mainly engages in the design, development and sales of IC. As of February 24, 2023, VIVR's actual paid-in capital was USD1,000,000.
- F. To plan for operational deployment, the Corporation's board of directors resolved to establish a subsidiary, CascadeTeq, on October 28, 2022. CascadeTeq was established in December 2022 and mainly engages in the sales of IC. As of February 24, 2023, CascadeTeq's actual paid-in capital was NT\$5,000 thousand.

The income and share of other comprehensive income of subsidiaries accounted for using equity in 2022 and 2021 are recognized based on subsidiaries' CPA audited individual financial statements during the same reporting period.

(2) Investments in associates

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Individually insignificant associates	\$ 88,690	\$ 87,123
Lyontek Inc. (hereinafter referred to as “Lyontek”)	<u>26,301</u>	<u>-</u>
ONECENT Technology Ltd. (hereinafter referred to as “ONECENT”)	<u>\$ 114,991</u>	<u>\$ 87,123</u>

Information related to Corporation’s associates are summarized as follows:

	<u>2022</u>	<u>2021</u>
Shares held by the Corporation		
Net profit for the year	<u>\$ 5,964</u>	<u>\$ 12,618</u>
Total comprehensive income	<u>\$ 5,964</u>	<u>\$ 12,618</u>

- A. The Corporation invested NT\$75,060 thousand in October 2016 to obtain 3,600 thousand ordinary shares of Lyontek Inc., with a shareholding ratio of 30%. The goodwill obtained from Lyontek Inc., which was NT\$2,610 thousand, was recognized as the costs of investments in associates.
- B. The Corporation invested NT\$238 thousand and NT\$33,533 thousand in May 2022 and August 2022, respectively; and cumulatively obtained 3,600 thousand ordinary shares of ONECENT, with a shareholding ratio of 48%. Considering the Corporation’s significant impact on ONECENT, the Corporation’s management has listed ONECENT as its associate. The goodwill obtained from ONECENT was recognized as the costs of investments in associates; and the original accounting treatments as of the balance sheet date are still subject to adjustment or revision. If required market valuations or other calculations have not been completed upon approval of the individual financial statements, the possible value shall be determined based on the best estimates of the Corporation’s management.

The profit and loss and other comprehensive income attributable to associates using the equity method are calculated based on unaudited financial statements. However, the Corporation’s management believes that the said unaudited financial statements will not result in any significant impact.

12. Property, Plant and Equipment

	<u>Machinery and equipment</u>	<u>Computer and communicatio ns equipment</u>	<u>Office equipment</u>	<u>Leasehold improvement</u>	<u>Total</u>
<u>Cost</u>					
Balance at January 1, 2022	\$ 145,397	\$ 10,307	\$ 2,203	\$ 15,031	\$ 172,938
Addition	22,038	1,559	657	48	24,302
Disposal	(539)	(178)	-	-	(717)
Balance at December 31, 2022	<u>166,896</u>	<u>11,688</u>	<u>2,860</u>	<u>15,079</u>	<u>196,523</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2022	76,878	7,547	2,148	6,018	92,591
Depreciation expense	19,601	1,354	203	3,746	24,904
Disposal	(45)	(178)	-	-	(223)
Balance at December 31, 2022	<u>96,434</u>	<u>8,723</u>	<u>2,351</u>	<u>9,764</u>	<u>117,272</u>
Carrying amounts at December 31, 2022	<u>\$ 70,462</u>	<u>\$ 2,965</u>	<u>\$ 509</u>	<u>\$ 5,315</u>	<u>\$ 79,251</u>

	<u>Machinery and equipment</u>	<u>Computer and communicatio ns equipment</u>	<u>Office equipment</u>	<u>Leasehold improvement</u>	<u>Total</u>
<u>Cost</u>					
Balance at January 1, 2021	\$ 68,595	\$ 6,924	\$ 2,120	\$ 5,375	\$ 83,014
Addition	76,802	3,383	83	7,787	88,055
Internal transfer	-	-	-	1,869	1,869
Balance at December 31, 2021	<u>145,397</u>	<u>10,307</u>	<u>2,203</u>	<u>15,031</u>	<u>172,938</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2021	65,083	5,995	2,024	4,189	77,291
Depreciation expense	11,795	1,552	124	1,829	15,300
Disposal	-	-	-	-	-
Balance at December 31, 2021	<u>76,878</u>	<u>7,547</u>	<u>2,148</u>	<u>6,018</u>	<u>92,591</u>
Carrying amounts at December 31, 2021	<u>\$ 68,519</u>	<u>\$ 2,760</u>	<u>\$ 55</u>	<u>\$ 9,013</u>	<u>\$ 80,347</u>

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

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

13. Lease Agreements

(1) Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amounts of right-of-use assets		
Building	\$ 9,781	\$ 14,615
Machinery and equipment	<u>62,018</u>	<u>82,884</u>
	<u>\$ 71,799</u>	<u>\$ 97,499</u>
	<u>2022</u>	<u>2021</u>
Increase of the right-of-use assets	<u>\$ 3,392</u>	<u>\$ 84,245</u>
Depreciation expense of the right-of-use asset		
Building	\$ 8,227	\$ 7,415
Machinery and equipment	<u>20,866</u>	<u>20,286</u>
	<u>\$ 29,093</u>	<u>\$ 27,701</u>

(2) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carry amounts of lease liabilities		
Current	<u>\$ 50,771</u>	<u>\$ 40,872</u>
Non-current	<u>\$ 5,654</u>	<u>\$ 50,570</u>

The discount rate intervals of lease liabilities are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Building	2%~2.5%	1.8%~2%
Machinery and equipment	1.8%	1.8%

(3) Other lease information

	<u>2022</u>	<u>2021</u>
Expense relating to short-term leases	<u>\$ 3,736</u>	<u>\$ 2,626</u>
Total cash (outflow) for leases	<u>(\$ 43,441)</u>	<u>(\$ 37,108)</u>

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

14. Other Intangible Assets

	<u>Computer software</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ 55,164
Separate acquisition	<u>799</u>
Balance at December 31, 2022	<u>55,963</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2022	49,066
Amortization expense	<u>2,791</u>
Balance at December 31, 2022	<u>51,857</u>
Carrying amounts at December 31, 2022	<u>\$ 4,106</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 48,600
Separate acquisition	<u>6,564</u>
Balance at December 31, 2021	<u>55,164</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2021	34,627
Amortization expense	<u>14,439</u>
Balance at December 31, 2021	<u>49,066</u>
Carrying amounts at December 31, 2021	<u>\$ 6,098</u>

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

Computer software	3 years
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15. Other Assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Advances and prepayments	\$ 47,321	\$ 6,530
Temporary payments	-	485
Others	<u>511</u>	<u>-</u>
	<u>\$ 47,832</u>	<u>\$ 7,015</u>
<u>Non-current</u>		
Masks and probe cards	\$ 103,112	\$ 182,884
Long-term advances and prepayments	60,800	-
Prepayment for bonus	<u>9,890</u>	<u>22,992</u>
	<u>\$ 173,802</u>	<u>\$ 205,876</u>

16. Other Liabilities

	December 31, 2022	December 31, 2021
<u>Current</u>		
Other payables	\$ 62,888	\$ 93,658
Payable for employees' compensation	13,759	625
Payable for masks and probe cards	7,371	6,426
Payable for compensated absences	5,000	8,000
Payable for board directors' remuneration	2,907	33,797
Payable for salaries and bonuses	2,547	2,316
Payable for labor and national health insurance	2,450	2,095
Payable for pension	2,376	2,081
Payable for labor costs	695	-
Payable for equipment	4,054	4,180
Others	<u>\$ 104,047</u>	<u>\$ 153,178</u>
Other liabilities	\$ 2,387	\$ 2,557
Advance receipts	<u>2</u>	<u>835</u>
Others	<u>\$ 2,389</u>	<u>\$ 3,392</u>

17. Retirement Benefit Plans

Defined Contribution Plans

The Corporation 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.

18. Equity

(1) Share capital

Ordinary shares

	December 31, 2022	December 31, 2021
Number of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>161,557</u>	<u>148,827</u>
Shares issued	<u>\$ 807,786</u>	<u>\$ 744,136</u>
Advance receipts for ordinary share	<u>\$ 848</u>	<u>\$ 2,861</u>

After the resolution of amendments to Code of Conduct was adopted at the shareholders' meeting in August 2021, the Corporation has changed the par value per share from \$10 to \$5. This change has been approved by the competent authority and the registration has been accomplished. The stock exchange base date was set on October 15, 2021.

Such change to the Corporation's share capital was resulted from the issuance of GDRs, exercise of employee stock options (ESO) and the cancelation of treasury shares.

For years ended in December 31, 2022, the Corporation still needs to issue new shares for exercised 10,500 stock options. The exercise price received thereby are \$848 thousand, which is recognized as advance receipts for ordinary share.

B. Issuance of GDRs

For the purpose off issuing global depository receipts (GDRs), the resolution of issuing new ordinary shares for capital increase was adopted at extraordinary shareholders' meeting on December 6, 2021. The Corporation then issued 6,400 thousand GDRs at Luxembourg Stock Exchange on January 25, 2022. The price of each GDR is US\$29.65 and each GDR represents 2 ordinary shares of the Corporation. The issued GDRs, which represent 12,800 thousand shares, have recruited US\$189,760 thousand. The aforesaid GDRs have been fully redeemed in February 2022.

(2) Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>May be used to offset a deficit, distributed as cash dividends or transferred to share capital (1)</u>		
Arising from issuance of ordinary shares	\$ 5,731,976	\$ 633,916
Exercised and invalid employee share options	189,031	184,275
Difference between consideration and carrying amount of subsidiaries acquired or disposed	153,042	153,042
Acquired RSAs	<u>47,595</u>	47,595
SEO for employee share options	<u>467</u>	<u>467</u>
	<u>6,122,111</u>	<u>1,019,295</u>
<u>May be used to offset a deficit only (2)</u>		
Changes in subsidiaries' ownership interests recognized using the equity method	<u>401</u>	<u>401</u>
<u>May not be used for any purpose</u>		
Employee share options	<u>56,435</u>	<u>35,092</u>
	<u>\$ 6,178,947</u>	<u>\$ 1,054,788</u>

A. 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).

B. Capital surplus generated from changes in subsidiaries' ownership interests recognized using the equity method shall only be used to offset a deficit. No other use is allowed.

(3) 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. The board of directors shall draft an earnings distribution proposal for the remaining earnings together with unappropriated earnings

accumulated over the years. The said surplus earnings may be distributed in the form of new shares after a resolution has been adopted by the shareholders' meeting; or in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors and been reported to the shareholders' meeting. 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 21(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.

The Corporation's distribution of earnings for 2021 and 2020 is as follows:

	2021	2020
Legal reserve	<u>\$202,546</u>	<u>\$ 81,171</u>
Special reserve (reversal) set aside	<u>\$ -</u>	<u>(\$ 4,576)</u>
Cash dividends	<u>\$968,275</u>	<u>\$370,373</u>
Dividends per share (NT\$)	\$ 6.0	\$ 5.0

The above cash dividends have been approved by board of directors on February 25, 2022 and March 12, 2021; and the proposed appropriation of the rest earnings has been adopted at shareholders' meeting on May 27, 2022 and August 20, 2021, respectively. Besides, the increase in the number of outstanding shares after the change of par value has been considered when assessing the dividends per share for the year of 2021.

In 2021 and 2020, dividends per share are adjusted to \$5.99628435 and \$4.99946006 due to the exercise of employee share options.

The Corporation's appropriation of earnings for 2022 proposed by the board of directors on February 24, 2023 is as follows:

	2022
Legal reserve	<u>\$ 194,170</u>
Special reserve	<u>\$ 450</u>
Cash dividends	<u>\$1,132,458</u>
Cash dividends per share	\$ 7.0

The above cash dividends have been approved by the board of directors, whereas the appropriation of rest earnings will be finalized at the shareholders' meeting to be held on May 29, 2023.

(4) Other equity

Exchange differences on translation of foreign financial statements

	<u>2022</u>	<u>2021</u>
Balance at the beginning of the year	\$ 8,728	\$ 10,042
Exchange differences on translating the financial statements of foreign operations	2,860	(1,299)
Share of the other comprehensive income of subsidiaries accounted for using equity method	<u>1,405</u>	<u>(15)</u>
Other comprehensive income for the year	<u>4,265</u>	<u>(1,314)</u>
Reclassification adjustment		
Discipline the operating organization	<u>(13,443)</u>	<u>-</u>
Balance at the end of the year	<u><u>(\$ 450)</u></u>	<u><u>\$ 8,728</u></u>

(5) Treasury shares

<u>Purpose of redemption</u>	<u>Shares transferred to employees (in thousands of shares)</u>
<u>2022</u>	
Number of shares at the beginning of the year	516
Decrease during the year	<u>(516)</u>
Number of shares at the end of the year	<u><u>-</u></u>
<u>2021</u>	
Number of shares at the beginning of the year	258
Increase during the year – change in par value	<u>258</u>
Number of shares at the end of the year	<u><u>516</u></u>

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, 2018 and December 8, 2018 at a price of NT\$11,246 thousand. In August 2021, amendments to the Corporation's Articles of Incorporation were made upon resolution at the shareholders' meeting, changing the par value from NT\$10 to NT\$5. The relevant conversion was completed in October 2021, resulting in an increase in the number of treasury shares bought back to 516 thousand. On February 25, 2022, the Corporation's board of directors resolved to redeem the said 516 thousand treasury shares and relevant amendment registration has already been completed.

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.

19. Revenue

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 4,572,785	\$ 6,206,697
Revenue from the rendering of services	227,428	127,140
Revenue Licensing	152,451	123,048
Interest income	18,517	4,395
	<u>\$ 4,971,181</u>	<u>\$ 6,461,280</u>

(1) Descriptions of contracts with customers

Please refer to Note 4 (12) for more information.

(2) Contract balance

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Accounts receivable (including those from related parties) (Note 9)	<u>\$ 621,120</u>	<u>\$ 851,047</u>	<u>\$ 756,699</u>
Contract liabilities			
Sale of goods	<u>\$ 22,981</u>	<u>\$ 172,570</u>	<u>\$ -</u>

The changes in contract liabilities are 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:

	<u>2022</u>	<u>2021</u>
<u>From the contract liabilities at the beginning of the year</u>		
Sale of goods	<u>\$ 172,570</u>	<u>\$ -</u>

20. Net Profit

(1) Other Revenue

	<u>2022</u>	<u>2021</u>
Dividend income	\$ 322	\$ 503
Others	<u>1,447</u>	<u>479</u>
	<u>\$ 1,769</u>	<u>\$ 982</u>

(2) Depreciation and amortization

	<u>2022</u>	<u>2021</u>
Property, plant and equipment	\$ 24,904	\$ 15,300
Right-of-use assets	29,093	27,701
Other intangible assets	<u>2,791</u>	<u>14,439</u>
	<u>\$ 56,788</u>	<u>\$ 57,440</u>

Depreciation expense by function

Cost of sales	\$ 40,653	\$ 31,686
Operating expense	<u>13,344</u>	<u>11,315</u>
	<u>\$ 53,997</u>	<u>\$ 43,001</u>

Amortization expense by function

Cost of sales	\$ 30	\$ 153
Operating expense	<u>2,761</u>	<u>14,286</u>
	<u>\$ 2,791</u>	<u>\$ 14,439</u>

(3) Employee benefit expense

	<u>2022</u>	<u>2021</u>
Retirement benefit plans (Note 17)		
Defined contribution plans	<u>\$ 9,104</u>	<u>\$ 7,354</u>
Share-based payment		
Equity settlement	<u>20,179</u>	<u>20,135</u>
Other employee benefits		
Salary expense	291,947	357,215
Labor insurance and national health insurance expense	17,628	15,017
Other employment expense	<u>15,901</u>	<u>13,205</u>
	<u>325,476</u>	<u>385,437</u>
Total employee benefits expense	<u>\$ 354,759</u>	<u>\$ 412,926</u>
Summarized by functions		
Cost of sales	\$ 53,660	\$ 50,482
Operating expense	<u>301,099</u>	<u>362,444</u>
	<u>\$ 354,759</u>	<u>\$ 412,926</u>

(4) Employees' compensation and board directors' remuneration

According to the Corporation's Articles of Incorporation, the Corporation shall appropriate employees' compensation at a rate of no less than 1% and directors' remuneration at a rate of no higher than 3%.

The estimation of employees' compensation and directors' remuneration for 2022 and 2021 have been adopted by board of directors on February 24, 2023 and February 25, 2022, respectively, as follows:

Accrual rate

	<u>2022</u>	<u>2021</u>
Employees' compensation	1.41%	2.86%
Board directors' remuneration	0.20%	0.31%

Amount

	<u>2022</u>	<u>2021</u>
Employees' compensation	\$ 35,191	\$ 74,262
Board directors' remuneration	5,000	8,000

If there is any change in the amounts after the annual individual 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.

There is no difference between the amounts of employees' compensation and board directors' remuneration paid in 2021 and 2020, and the amount estimated in the 2021 and 2020 Individual Financial Statements.

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

(5) Exchange difference recognized in profit or loss

	<u>2022</u>	<u>2021</u>
Total exchange gain	\$ 1,338,700	\$ 63,103
Total exchange loss	(637,735)	(77,952)
Net profit (loss)	<u>\$ 700,965</u>	<u>(\$ 14,849)</u>

21. Income Taxes

(1) Major components of tax expense recognized in profit or loss

	<u>2022</u>	<u>2021</u>
Current income tax		
Expense recognized in the current year	\$ 465,476	\$ 408,630
Unappropriated earnings	42,732	14,477
Adjustments on prior years	(19,769)	(7,814)
	<u>488,439</u>	<u>415,293</u>
Deferred income tax		
Expense recognized in the current year	<u>20,177</u>	<u>72,370</u>
Income tax expense recognized in profit or loss	<u>\$ 508,616</u>	<u>\$ 487,663</u>

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

	<u>2022</u>	<u>2021</u>
Income before tax	<u>\$2,450,312</u>	<u>\$2,513,120</u>
Income tax expense at the statutory rate	\$ 490,062	\$ 502,624
Unrecognized tax benefit	(4,409)	(21,624)
Income tax adjustments on prior years	(19,769)	(7,814)
Unappropriated earnings	<u>42,732</u>	<u>14,477</u>
Income tax expense recognized in profit or loss	<u>\$ 508,616</u>	<u>\$ 487,663</u>

(2) Deferred income tax assets and liabilities

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

2022

	<u>Balance at the beginning of the year</u>	<u>Recognized in profit or loss</u>	<u>Cash at the end of the year</u>
<u>Deferred income tax assets</u>			
Temporary differences			
Exchange loss	\$ 596	\$ 367	\$ 963
Payable for compensated absences	1,286	189	1,475
Allowance for inventory valuation and obsolescence losses	<u>23,604</u>	<u>5,121</u>	<u>28,725</u>
	<u>\$ 25,486</u>	<u>\$ 5,677</u>	<u>\$ 31,163</u>
<u>Deferred income tax liabilities</u>			
Temporary differences			
Financial assets at fair value through profit or loss	\$ 18,721	\$ 24,996	\$ 43,717
Exchange gain	<u>557</u>	<u>858</u>	<u>1,415</u>
	<u>\$ 19,278</u>	<u>\$ 25,854</u>	<u>\$ 45,132</u>

2021

	Balance at the beginning of the year	Recognized in profit or loss	Cash at the end of the year
<u>Deferred income tax assets</u>			
Temporary differences			
Exchange loss	\$ 5,162	(\$ 4,566)	\$ 596
Payable for compensated absences	738	548	1,286
Allowance for inventory valuation and obsolescence losses	33,267	(9,663)	23,604
Financial assets at fair value through profit or loss	557	(557)	-
Compensation for loss	<u>39,087</u>	<u>(39,087)</u>	<u>-</u>
	<u>\$ 78,811</u>	<u>(\$ 53,325)</u>	<u>\$ 25,486</u>
<u>Deferred income tax liabilities</u>			
Temporary differences			
Financial assets at fair value through profit or loss	\$ -	\$ 18,721	\$ 18,721
Exchange gain	<u>233</u>	<u>324</u>	<u>557</u>
	<u>\$ 233</u>	<u>\$ 19,045</u>	<u>\$ 19,278</u>

(3) Income tax assessment

The Corporation's tax returns for income tax through 2020 have been assessed by the tax authorities.

22. Earnings Per Share

Unit: NT\$ per share

	<u>2022</u>	<u>2021</u>
Basic earnings per share	<u>\$ 12.09</u>	<u>\$ 13.67</u>
Diluted earnings per share	<u>\$ 11.96</u>	<u>\$ 13.45</u>

The earnings and weighted average number of ordinary shares used to calculate earnings per share are as follows:

Net Profit for the year

	<u>2022</u>	<u>2021</u>
Earnings used in the computation of basic and diluted earnings per share	<u>\$1,941,696</u>	<u>\$2,025,457</u>

Number of shares

Unit: 1,000 shares

	<u>2022</u>	<u>2021</u>
Weighted average number of ordinary shares outstanding used in the computation of basic earnings per share	160,602	148,148
Effects of potentially dilutive ordinary shares:		
Arising from employee share options	1,453	2,251
Employee share options	<u>246</u>	<u>167</u>
Weighted average number of ordinary shares outstanding used in the computation of diluted earnings per share	<u>162,301</u>	<u>150,566</u>

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.

23. Share-based Payment Arrangements

(1) Employee share option plan

Grant date	December 23, 2022	April 29, 2022	March 12, 2021	September 26, 2020	December 20, 2019	April 26, 2019	November 9, 2018	January 25, 2017	
Approval date by board of directors	August 30, 2022	July 30, 2021	August 7, 2020	August 7, 2020	April 26, 2019	August 8, 2018	August 8, 2018	November 3, 2016	
Grant unit	426,330	267,000	69,430	319,000	750,000	8,000	692,000	680,000	
Exercise price (NT\$) (Notes 1 and 2)	170	251	781	333.5	83.7	43.85	44.8	81.70	
Share per unit (Note 2)	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 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	
Vesting conditions (Note 3)	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 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%
Life/duration (year)	10	10	10	10	10	10	10	10	

Note 1: Where there is movement in the Corporation's ordinary share upon the issuance of option or the Corporation issues cash dividends, the exercise price of the option will be adjusted based on the formula accordingly. If the said adjustment results in a higher price after the adjustment according to the formula, no adjustment will be made to the exercise price

Note 2: Where the Corporation changes the par value per share after the issuance of stock options, the exercise price of the option shall be adjusted according to the formula before adjusting the subscription ratio as prescribed. However, with respect to exercised warrant, no retrospective adjustments shall be made accordingly. In August 2021, amendments to the Corporation's Articles of Incorporation were made upon resolution at the shareholders' meeting, changing the par value from NT\$10 to NT\$5. The relevant conversion was completed in October 2021, resulting in an adjustment of 50% to the exercise price per share for each unit of the stock option granted before October 2021. The number of shares that can be subscribed or exercised per unit has also been adjusted from 1 share to 2 shares.

Note 3: The computation starts after the employee share options are granted.

Information relating to issued employee share options is as follows:

Employee share options	2022		2021	
	Unit	Weighted average exercise prices (NT\$)	Uni	Weighted average exercise prices (NT\$)
Outstanding at the beginning of the year	1,391,430	\$ 162.99	1,540,000	\$ 123.40
Offered in the year	693,330	201.19	69,430	781.00
Became invalid in the year	(223,000)	71.75	(36,000)	152.80
Exercised in the year	(107,687)	116.77	(182,000)	57.26
Outstanding at the end of the year	<u>1,754,073</u>	188.65	<u>1,391,430</u>	162.99
Exercisable at the end of the year	<u>348,250</u>	122.12	<u>239,500</u>	71.41
The weighted average fair value of options offered in the year (NT\$)	<u>\$ 93.76</u>		<u>\$ 322.04</u>	

The weighted average price of options exercised in 2022 and 2021 were \$362.74 and \$564.10, respectively on the exercise day.

Information relating to employee share options outstanding at the end of the reporting period is as follows:

December 31, 2022			December 31, 2021		
Issue date	Exercise price (NT\$)	Weighted average remaining contractual life (year)	Issue date	Exercise price (NT\$)	Weighted average remaining contractual life (year)
January 25, 2017	\$ 71.40	4.07	January 25, 2017	\$ 73.18	5.07
November 9, 2018	43.20	5.86	November 9, 2018	44.30	6.86
April 26, 2019	42.20	6.32	April 26, 2019	43.30	7.32
December 20, 2019	80.80	6.98	December 20, 2019	82.90	7.98
September 26, 2020	322.80	7.74	September 26, 2020	331.20	8.74
March 12, 2021	755.40	8.20	March 12, 2021	775.50	9.20
April 29, 2022	246.00	9.33			
December 23, 2022	170.00	9.99			

Employee share options offered by the Corporation in December 2022, April 2022 and March 2021, respectively, were assessed using the binomial option pricing model. The parameters of the model are as follows:

Year of offering	December 2022	April 2022	March 2021
Fair value on the offering date	NT\$63.59-92.52	NT\$92.47-137.32	NT\$259.14- 374.71
Exercise price	NT\$170.00	NT\$251.00	NT\$781.00
Expected volatility	63.42-64.94%	63.93%	55.64%
Expected life	6-7.5 years	6-7.5 years	6-7.5 years
Expected dividend yield	-	-	-
Risk-free interest rate	1.17%-1.22%	1.10-1.17%	0.40-0.46%

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

Compensation costs recognized in 2022 and 2021 were \$20,179 thousand and \$20,135 thousand, respectively. The compensation costs generated from employee share options offered to subsidiaries in 2022 and 2021 were \$5,920 thousand and \$5,330 thousand, respectively.

24. Capital Risk Management

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

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

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

25. Financial Instruments

(1) Fair value of financial instruments that are not measured at fair value

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

(2) Fair value of financial instruments that are measured at fair value on a recurring basis

A. Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Equity instrument investment	\$ 5,368	\$ -	\$ 250,639	\$ 256,007

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Equity instrument investment	\$ 12,001	\$ -	\$ 129,988	\$ 141,989

B. Level 3 Reconciliation- Financial Liabilities at FVTPL.

2022

Financial assets	Measured at FVTPL Equity instruments
Balance at the beginning of the year	\$ 129,988
Recognized in profit or loss	<u>120,651</u>
Balance at the end of the year	<u>\$ 250,639</u>
Relating to assets held at the end of the reporting year and recognized as unrealized gains through profit and loss	<u>\$ 120,651</u>

2021

Financial assets	Measured at FVTPL Equity instruments
Balance at the beginning of the year	\$ 28,032
Recognized in profit or loss	<u>101,956</u>
Balance at the end of the year	<u>\$ 129,988</u>
Relating to assets held at the end of the reporting year and recognized as unrealized gains through profit and loss	<u>\$ 101,956</u>

C. Level 3 fair value measurements and inputs

Classification of financial instruments	Valuation techniques and inputs
Domestic and foreign unlisted (non-OTC) stocks	<ol style="list-style-type: none"> Adopted the market approach, where the valuation of companies similar to the investee and investee's recent financing activities are used to measure the fair value thereof. Adopted the asset approach, where the total market value of investee's individual assets and individual liabilities are considered when measuring the fair value thereof.

(3) Classification of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
At Fair Value Through Profit or Loss (FVTPL)		
Equity instrument investment	\$ 256,007	\$ 141,989
Measured at amortized cost (Note 1)	9,106,390	3,626,089
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	283,838	781,756

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

Note 2: The balance includes financial liabilities measured at amortized cost, such as accounts payable, other payables and guarantee deposit received.

(4) Financial risk management objectives and policies

The Corporation's main financial instruments are equity and debt instrument investments, accounts receivable, other receivables, refundable deposits, accounts payable, other payables, lease liabilities and guarantee deposit received. The Corporation's financial management department provides services to all business units; and organizes, supervises and manages all financial risks related to the Corporation's operations. Such risks include market risks (including currency, interest rate and other price risks), credit risks and liquidity risks.

A. Market risks

The Corporation'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 Corporation's exposures of financial instrument market risks and its exposure management and measurement approaches.

a. Currency risk

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

For the Corporation's monetary assets denominated in non-functional currency and carrying values of monetary liabilities recorded at the balance sheet date, please refer to Note 29.

Sensitivity analysis

The Corporation is mainly exposed to the US dollar.

The following table shows the Corporation's sensitivity to a 5% increase and decrease in New Taiwan dollars (the functional currency of the Corporation) against the US 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 New Taiwan dollar against the US dollar; and, when the New Taiwan Dollar depreciates by 5%, the pretax profit would be affected, resulting a negative number of the same amount.

	Impact of the U.S. dollar	
	2022	2021
Profit or loss (a)	\$ 382,478	\$ 34,377

(a) The above profit or loss is mainly associated with demand deposits, accounts receivable, other 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 Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period are as follows:

	December 31, 2022	December 31, 2021
Fair value interest rate risk		
– Financial assets	\$7,072,709	\$1,352,763
– Financial liabilities	56,425	91,442
Cash flow interest rate risk		
– Financial assets	933,572	953,802

Sensitivity analysis

The sensitivity analysis was determined on the basis of the Corporation's exposure to interest rate changes for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of assets and liabilities outstanding during 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 Corporation's pretax

profits would have increased by \$4,668 thousand and \$4,769 thousand in 2022 and 2021, respectively. Such increase is resulted from the Corporation's variable-rate account.

c. Other price risks

The price risks exposed to the Corporation in 2022 and 2021 in association with financial assets measured at fair value through profit and loss mainly come from equity instrument investments.

Sensitivity Analysis

The following sensitivity analysis is carried out on the equity price on the balance sheet date. Nevertheless, as the beneficiary certificates of funds possessed by the Corporation are money market funds, the price volatility risk thereof is relatively low and is therefore excluded from the sensitivity analysis.

If the equity price increases/decreases by 5%, the Corporation's net profit before tax for 2022 and 2021 will increase/decrease by 12,800 thousand and 7,099 thousand as the financial assets (excluding beneficiary certificates of funds) are measured at fair value through profit and/or loss.

B. Credit risk

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

The Corporation 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 Corporation uses publicly available financial information and transaction records to rate major customers. The Corporation 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 Corporation did not have a significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Besides, as the Corporation 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 Corporation's maximum credit risk amount was almost equal to the carrying amounts of recognized financial assets.

C. Liquidity risk

The Corporation's objectives of managing liquidity risk are to ensure that it has sufficient liquidity to continue operating in the following 12 months. The Corporation

has maintained a level of cash and cash equivalents deemed adequate to finance its operations. The Corporation 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 Corporation, bank borrowing is a significant source of liquidity. With respect to the Corporation'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 Corporation'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 Corporation can be required to pay. The tables included both interest and principal cash flows.

December 31, 2022

	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
<u>Non-derivative</u>					
<u>Financial</u>					
<u>liabilities</u>					
Non-interest bearing current liability	-	\$ 186,120	\$ 67,888	\$ -	\$ -
Lease liabilities	1.83%	<u>12,530</u>	<u>38,888</u>	<u>5,683</u>	<u>-</u>
		<u>\$ 198,650</u>	<u>\$ 106,776</u>	<u>\$ 5,683</u>	<u>\$ -</u>

December 31, 2021

	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
<u>Non-derivative</u>					
<u>Financial</u>					
<u>liabilities</u>					
Non-interest bearing current liability	-	\$ 765,806	\$ 1,950	\$ -	\$ -
Lease liabilities	1.83	<u>12,527</u>	<u>29,635</u>	<u>51,171</u>	<u>-</u>
		<u>\$ 778,333</u>	<u>\$ 31,585</u>	<u>\$ 51,171</u>	<u>\$ -</u>

b. Line of credit

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Line of credit		
— Available line of credit	<u>\$ 600,000</u>	<u>\$ 700,000</u>

The Corporation's working capital and line of credit are sufficient to continue its operations, the Corporation therefore does not have any liquidity risk.

26. Related-Party Disclosures

Except as disclosed in other notes, details of transactions between the Corporation and other related parties are disclosed below.

(1) Related parties and their relationships with the Corporation

<u>Name of related parties</u>	<u>Relationship with the Corporation</u>
Lyontek	Associate
ONECENT	Associate
AP-USA	Subsidiary
Zentel Electronics	Subsidiary
AP Hangzhou	Subsidiary
AP Hong Kong	Sub-subsiary

(2) Operating revenue

<u>Name of related parties</u>	<u>2022</u>	<u>2021</u>
AP Hong Kong	\$1,186,019	\$1,427,563
AP Hangzhou	175,086	226,795
Associates	<u>9,992</u>	<u>10,196</u>
	<u>\$1,371,097</u>	<u>\$1,664,554</u>

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.

(3) Accounts receivable from related parties

<u>Name of related parties</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
AP Hong Kong	\$ 97,601	\$ 97,700
AP Hangzhou	23,181	10,710
Associates	<u>-</u>	<u>1,836</u>
	<u>\$ 120,782</u>	<u>\$ 110,246</u>

(4) Other payables from related parties

<u>Name of related parties</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
AP-USA	<u>\$ 15,830</u>	<u>\$ 14,532</u>

(5) R&D and design commission fee

<u>Name of related parties</u>	<u>2022</u>	<u>2021</u>
AP-USA	<u>\$ 61,814</u>	<u>\$ 62,346</u>

As there is no similar case can be referred to, transactions between the Corporation and related parties are dealt according to trade terms agreed by both parties. The R&D and design commission contracts entered in and between the Corporation and AP-USA are paid according to the contractual terms on a quarterly basis.

(6) Other expenses (2021: None)

<u>Name of related parties</u>	<u>2022</u>
Zentel Electronics	<u>\$ 100</u>

(7) Salaries and bonuses of key management personnel

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 54,620	\$ 74,554
Post-employment benefits	333	432
Share-based payment	<u>4,025</u>	<u>4,019</u>
	<u>\$ 58,978</u>	<u>\$ 79,005</u>

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.

27. Pledged Assets

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Pledged time deposits (recognized as financial assets at amortized cost)	<u>\$ 2,782</u>	<u>\$ 2,763</u>

28. Liabilities and Unrecognized Contractual Commitments with Significance

Apart from those specified in other notes, the Corporation significant commitments and contingencies on the balance sheet date are as follows:

Significant Commitments

The Corporation has signed a long-term raw material purchase contract with suppliers. The contract period is from October 2021 to December 2024; and the Group has set \$443,440 as production capacity/purchase guarantee in October 2021. The contracts are also specified with the monthly purchase amount; and the violation terms and conditions. The Corporation has evaluated the current trading patterns and transactions with the suppliers; and concluded that it is unlikely to result in a compensation and will not impact on the Corporation's financial status and operations.

29. Foreign Currency Assets and Liabilities with Significance

The following information was aggregated by the foreign currencies other than functional currency of the Corporation 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, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 254,995	30.71 (USD : TWD)	<u>\$ 7,830,913</u>
<u>Non-monetary items</u>			
Equity instruments at FVTPL			
RMB	56,402	4.408 (RMB : TWD)	\$ 248,619
Equity-method subsidiaries			
USD	2,974	30.71 (USD : TWD)	91,346
RMB	35,366	4.408 (RMB : TWD)	<u>155,892</u>
			<u>\$ 495,857</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	\$ 5,905	30.71 (USD : TWD)	<u>\$ 181,362</u>

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 47,010	27.68 (USD : TWD)	<u>\$ 1,301,229</u>
<u>Non-monetary items</u>			
Equity instruments at FVTPL			
RMB	28,462	4.344 (RMB : TWD)	\$ 123,638
Equity-method subsidiaries			
USD	1,223	27.68 (USD : TWD)	33,855
RMB	30,552	4.344 (RMB : TWD)	<u>132,720</u>
			<u>\$ 290,213</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	\$ 22,171	27.68 (USD : TWD)	<u>\$ 613,699</u>

The exchange rate gains and losses (including realized and non-realized) are summarized as follows:

Foreign currency	2022		2021	
	Exchange rate	Net exchange loss	Exchange rate	Net exchange loss
USD	29.805 (USD : TWD)	\$ 700,031	28.009 (USD : TWD)	(\$ 17,248)
JPY	0.2275 (JPY : TWD)	977	0.2554 (JPY : TWD)	2,402
EUR	31.36 (EUR : TWD)	(36)	33.1600 (EUR : TWD)	(3)
RMB	4.422 (RMB : TWD)	(7)	-	-
		<u>\$ 700,965</u>		<u>(\$ 14,849)</u>

30. Additional Disclosures

- (1) Information on significant transactions and (2) Information on reinvestments:
- A. Financing provided to others: None.
 - B. Endorsement and guarantee for others: None.
 - C. Marketable securities held at the end of the year (investments in subsidiaries are excluded): Please refer to Appendix 1.
 - D. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.
 - E. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.
 - F. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.
 - G. 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 2.
 - H. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
 - I. Information about the derivative financial instrument transaction: None.
 - J. Information of investees: Please refer to Appendix 3.
- (3) Information on investments in Mainland China:
- A. 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 4.
 - B. 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: Note 26.
 - 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: None.
 - 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 Note 26.
- (4) Information about major shareholders: The name, number of shares and stake held by shareholders with a stake of 5%: Please refer to Appendix 5.

AP Memory Technology Corporation
 Marketable securities held at the end of the year
 For the year ended December 31, 2022

Appendix 1

(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	Equity investments in listed (OTC) stocks							
	Powerchip Semiconductor Manufacturing Corp.	—	Current financial assets at fair value through profit or loss-Non-current	168,560	\$ 5,368	0.004%	\$ 5,368	
	Equity investments in unlisted (non-OTC) stocks							
	Haining Changmeng Tachnology Partnership Enterprise (Limited Partnership)	—	Current financial assets at fair value through profit or loss-Non-current	-	248,619	24.64%	248,619	
	GeneASIC Technologies Corporation	—	Current financial assets at fair value through profit or loss-Non-current	500,000	2,020	14.46%	2,020	

Note 1: Please refer to Appendixes 3 and 4 for more information about investments in subsidiaries and associates.

AP Memory Technology Corporation
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, 2022

Appendix 2

(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-subsiary	Sale	(\$ 1,186,019)	(23.22%)	OA 30 days	\$ -	—	\$ 97,601	15.28%	Note 2
AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	Subsidiary	Sale	(175,086)	(3.43%)	OA 30 days	-	—	23,181	3.63%	Note 2

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

Note 2: The paid-in capital refers to the paid-in capital of the parent. Where the issuer's shares are denominated or the par value is not NT\$10, the paid-in capital shall be calculated as 10% of the parent's equity on the balance sheet and the rule of having 20% of paid-in capital shall be discarded accordingly.

AP Memory Technology Corporation
Information of Investees
For the year ended December 31, 2022

Appendix 3

(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 (Note 2)	Remarks
				At the end of the year	At the end of last year	Number of shares	% of ownership	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%	\$ 34,386	(\$ 5,453) (USD 182,971)	(\$ 5,453)	Subsidiary
	Zentel Electronics Corp.	10F-1, No. 1, Taiyuan 1st St., Zhubei City, Hsinchu County	IC research, development and sales	-	306,798	-	-	-	1,948	1,948	Subsidiary (Note 4)
	Lyontek Inc.	No. 17, Industry East 2nd Road, East District, Hsinchu City	IC design and sales	75,060	75,060	3,600,000	30%	88,690	42,424	12,727	Associate
	APware Technology Corp.	Suite 102, Cannon Place, North Sound Rd., George Town, Grand Cayman, Cayman Islands	IC design, development and sales	-	-	-	100%	-	-	-	Subsidiary (Note 3)
	ONECENT TECHNOLOGY LTD.	4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands	RFID system design, development and sales	33,771 (USD 1,128,000)	-	3,600,000	48%	26,301	(34,247) (USD1,149,037)	(6,763)	Associate
	VIVR Corporation	Suite W 100 North Howard Street, Spokane Washington, 99201, US	IC design, development and sales	32,140 (USD 1,000,000)	-	1,000,000	100%	30,659	(49) (USD 1,660)	(49)	Subsidiary
	CascadeTeq Inc	8F-5, No. 1, Taiyuan 1 st Street, Zhubei City, Hsinchu County	Sale of ICs	5,000	-	500,000	100%	5,001	1	1	Subsidiary
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	275 (USD 10,000)	275 (USD 10,000)	10,000	100%	16,626	10,346	10,346	Subsidiary

Note 1: Based on the exchange rate at December 31, 2022.

Note 2: Based on the average exchange rate for the year ended December 31, 2022.

Note 3: To develop into operational deployment planning, the Corporation established the subsidiary “APware Technology Corp.” in October 2021 in Cayman Island. However, the Group has not invested in capital therein yet.

Note 4: Zentel Electronics Corp. Zentel Electronics dissolved on June 30, 2022 and completed the liquidation process on January 12, 2023.

AP Memory Technology Corporation
Information on investments in Mainland China – AP Memory Technology Corporation
For the year ended December 31, 2022

Appendix 4

(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 3)	The Corporation's direct or indirect shareholding	Investment profit or loss recognized in the year (Notes 3 and 5)	Carry amount of the investment at the end of the year (Notes 4 and 5)	Inward investment benefits at the end of the year
					Outflow	Inflow						
AP Memory Technology (Hangzhou) Limited Co.	IC design, development and sale	\$ 58,009 (USD 2,000,000)	Note 2	\$ 58,009 (USD 2,000,000)	\$ -	\$ -	\$ 58,009 (USD 2,000,000)	\$ 16,832 (RMB 3,806,472)	100%	\$ 16,832	\$ 155,892	\$ -

Accumulated Investment in Mainland China at the end of the year	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$58,009 (USD2,000,000)	\$58,009 (USD2,000,000)	\$6,570,341 (Note 6)

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

Note 2: A direct investment to AP Memory Technology (Hangzhou) Limited Co. by AP Memory Technology Corporation.

Note 3: Based on the average exchange rate of 2022.

Note 4: Based on the exchange rate at December 31, 2022.

Note 5: The calculation is based on the parent company's (Taiwan) CPA-certified financial statements prepared for the same fiscal year.

Note 6: The calculation is made based on 60% of the Corporation's net value at December 31, 2022 in accordance with Letter Ching-Shen-Tzu No. 09704604680 issued by the Ministry of Economic Affairs.

AP Memory Technology Corporation
Information on Major Shareholders
December 31, 2022

Appendix 5

Name of major shareholders	Shares	
	No. of shares	Percentage of ownership
Shanyi Investment Co.,Ltd.	26,706,668	16.53%

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 stocks 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 trustor 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.

§THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS§

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AP Memory Technology Corporation
Statement of Cash and Cash Equivalents
December 31, 2022

Statement 1 (In Thousands of New Taiwan Dollars
Unless Otherwise Specified)

Item	Summary	Amount
Cash on hand and revolving funds		<u>\$ 30</u>
Bank demand deposit		
Demand deposit in TWD		88,346
Demand deposit in other currencies	US\$27,523 thousand@30.71	<u>845,226</u>
		<u>933,572</u>
Cash equivalents (investments with original maturities of three months or less)		
Time deposits		
Time deposits in NTD		705,000
Time deposits in foreign currencies	US\$27,523 thousand@30.71	<u>6,364,927</u>
		<u>7,069,927</u>
Total		<u>\$8,003,529</u>

AP Memory Technology Corporation
Statement of Accounts Receivable
December 31, 2022

Statement 2

(In Thousands of New Taiwan Dollars)

I t e m	A m o u n t
Accounts receivable from non-related parties	
Customer A	\$ 178,267
Customer B	145,215
Customer C	66,709
Customer D	39,923
Others (Note)	70,228
Less: Allowance for bade debts	(_____ 4)
Net accounts receivable from non-related parties	500,338
Accounts receivable from related parties (Note 26)	120,782
Net accounts receivable	\$ 621,120

Note: All balance is maintained below 5% of the account balance.

AP Memory Technology Corporation
Statement of Inventory
December 31, 2022

Statement 3 (In Thousands of New Taiwan Dollars)

Item	A m o u n t Cost	Net realizable value
Raw materials	\$ 1,043,832	\$ 1,167,482
Work-in-process goods	246,521	494,833
Finished goods	381,401	734,030
	1,671,754	<u>\$ 2,396,345</u>
Less: Allowance for inventory valuation loss	(<u>143,627</u>)	
Total	<u>\$ 1,528,127</u>	

AP Memory Technology Corporation
Statement of Changes in Investments Accounted for Using Equity Method
For the year ended December 31, 2022

Statement 4

(In Thousands of New Taiwan Dollars)

Name	Balance at the beginning of the year		Increase during the year (less)		Changes in ownership equity (Note 4)	Share of other comprehensive income of subsidiaries accounted for using equity	Exchange differences on translating the financial statements of foreign operations	Cash at the end of the year		Shareholding at the end of the year	Net equity value	Guarantee or pledge	Remarks
	Number of shares (shares)	Amount	Number of shares (shares)	Amount				Number of shares (shares)	Amount				
Measured at equity													
AP Memory Corp, USA	2,000,000	\$ 33,855	-	\$ -	\$ 2,372	(\$ 5,453)	\$ 3,612	2,000,000	\$ 34,386	100%	\$ 34,386	None	
Zentel Electronics Corp.	100,000	75,784	(100,000)	(77,732)	-	1,948	-	-	-	-	-	None	Note 1
AP Memory Technology (Hangzhou) Limited Co.	-	132,719	-	-	3,548	16,832	2,793	-	155,892	100%	155,892	None	Note 2
Lyontek Inc.	3,600,000	87,123	-	(11,160)	-	12,727	-	3,600,000	88,690	30%	286,934	None	Note 3
ONECENT Technology Ltd.	-	-	3,600,000	33,771	-	(6,763)	(707)	3,600,000	26,301	48%	(60,002)	None	Note 5
VIVR Corporation	-	-	1,000,000	32,140	-	(49)	(1,432)	1,000,000	30,659	100%	30,659	None	Note 6
CascadeTeq Inc.	-	-	500,000	5,000	-	1	-	500,000	5,001	100%	5,001	None	Note 7
		<u>\$ 329,481</u>		<u>(\$ 17,981)</u>	<u>\$ 5,920</u>	<u>\$ 19,243</u>	<u>\$ 4,266</u>		<u>\$ 340,929</u>		<u>\$ 452,870</u>		

Note 1: The decrease for the year comes from liquidation distribution (77,732 thousand) by Zentel Electronics Corp.

Note 2: A direct investment to AP Memory Technology (Hangzhou) Limited Co. by AP Memory Technology Corporation as approved by Investment Commission, MOEA.

Note 3: The decrease for the year comes from cash dividends (\$11,160 thousand) distributed by Lyontek Inc.

Note 4: Capital investment generated from employee share options granted to subsidiaries' employees.

Note 5: An increase in equity was obtained separately through investments of NT\$238 thousand and NT\$33,533 thousand in the year, resulting in a 48% stake.

Note 6: Established a new subsidiary with an investment amount of 32,140 thousand.

Note 7: Established a new subsidiary with an investment amount of 5,000 thousand.

AP Memory Technology Corporation

Statement of Refundable Deposits

December 31, 2022

Statement 5

(In Thousands of New Taiwan Dollars)

<u>N a t u r e</u>	<u>A m o u n t</u>
Refundable deposits	
Guarantee of purchase contract	\$ 443,440
Lease of machines and equipment	18,000
Property lease(s)	<u>2,587</u>
	<u>\$ 464,027</u>

AP Memory Technology Corporation

Statement of Accounts Payable

December 31, 2022

Statement 6

(In Thousands of New Taiwan Dollars)

<u>I</u> <u>t</u> <u>e</u> <u>m</u>	<u>A</u> <u>m</u> <u>o</u> <u>u</u> <u>n</u> <u>t</u>
Non-related parties	
Company A	\$ 99,574
Company B	23,760
Company C	22,745
Others (Note)	<u>3,882</u>
 Total	 <u>\$ 149,961</u>

Note : All balance is maintained below 5% of the account balance.

AP Memory Technology Corporation

Statement of Net Revenue

For the year ended December 31, 2022

Statement 7

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Operating revenue	
IC	\$ 4,605,280
Revenue from the rendering of services	227,428
Revenue from licensing	<u>152,450</u>
	4,985,158
Sales discount and return	(<u>13,977</u>)
Net operating revenue	<u>\$ 4,971,181</u>

AP Memory Technology Corporation

Statement of Operating Costs

For the year ended December 31, 2022

Statement 8

(In Thousands of New Taiwan Dollars)

Item	Amount
Operating costs	
Consumption of raw materials	
Add: Raw materials at the beginning of the year	\$ 893,408
Raw materials purchased in the year	1,721,189
Less: Raw materials at the end of the year	(1,043,832)
Others	(<u>216,226</u>)
	1,354,539
Manufacturing costs	519,183
Add: Supplies at the beginning of the year	671,147
Purchased in the year	680,152
Others	4,886
Less: Supplies at the end of the year	(246,521)
Add: Finished products at the beginning of the year	249,870
Purchased in the year	34,122
Less: For R&D	(12,053)
Finished products at the end of the year	(381,401)
Others	(<u>47,802</u>)
	2,826,122
Add: Loss on inventory failing price and slow- moving inventory	25,604
Loss on disposal and scrap of inventory	<u>12,096</u>
Operating costs	<u><u>\$ 2,863,822</u></u>

AP Memory Technology Corporation
Statement of Manufacturing Expense
For the year ended December 31, 2022

Statement 9

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Commission and processing fees	\$ 289,968
Expense from masks and probe cards	138,286
Indirect labor	47,287
Others (Note)	<u>43,642</u>
	<u>\$ 519,183</u>

Note : All balance is maintained below 5% of the manufacturing costs.

AP Memory Technology Corporation
Statement of Operating Expense
For the year ended December 31, 2022

Statement 10

(In Thousands of New Taiwan Dollars)

Item	Selling expense	Administrative expense	Research and development expense	Total
Salaries	\$ 64,893	\$ 65,871	\$ 123,293	\$ 254,057
R&D commission fee	7,187	-	162,412	169,599
Expense from masks and probe cards	-	-	31,245	31,245
Board directors' remuneration	-	10,782	-	10,782
Transfer of inventory	-	-	22,522	22,522
Others (Note)	<u>29,212</u>	<u>40,275</u>	<u>53,033</u>	<u>122,520</u>
	<u>\$ 101,292</u>	<u>\$ 116,928</u>	<u>\$ 392,505</u>	<u>\$ 610,725</u>

Note : All balance is maintained below 5% of the Operating expense.

AP Memory Technology Corporation
Summary of Employee Benefits, Depreciation and Amortization Expense by Function
For the years ended December 31, 2022 and 2021

Statement 11

(In Thousands of New Taiwan Dollars)

	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense						
Salaries	\$ 47,287	\$ 254,057	\$ 301,344	\$ 45,301	\$ 319,193	\$ 364,494
Labor and national health insurance	2,585	15,043	17,628	2,193	12,824	15,017
Pension	1,352	7,752	9,104	1,086	6,268	7,354
Board directors' remuneration	-	10,782	10,782	-	12,856	12,856
Other employee benefit expense	2,436	13,465	15,901	1,902	11,303	13,205
	<u>\$ 53,660</u>	<u>\$ 301,099</u>	<u>\$ 354,759</u>	<u>\$ 50,482</u>	<u>\$ 362,444</u>	<u>\$ 412,926</u>
Depreciation expense	<u>\$ 40,653</u>	<u>\$ 13,344</u>	<u>\$ 53,997</u>	<u>\$ 31,686</u>	<u>\$ 11,315</u>	<u>\$ 43,001</u>
Amortization expense	<u>\$ 30</u>	<u>\$ 2,761</u>	<u>\$ 2,791</u>	<u>\$ 153</u>	<u>\$ 14,286</u>	<u>\$ 14,439</u>

Notes:

1. The number of employees for the year and previous year was 141 and 115 people, respectively. Among them, the number of non-employee board members was 5 and 4 people, respectively.
2. Listed or OTC companies shall disclose the following information:
 - (1) The average of employee benefit expense of the year is \$2,529 thousand (“Employee benefit expense of the year - Board directors' remuneration” / “Number of employees of the year - Non-employee board members”).
The average of employee benefit expense of the previous year was \$3,604 thousand (“Employee benefit expense of the year - Board directors' remuneration” / “Number of employees of the year - Non-employee board members”).
 - (2) The average of employee salary of the year is \$2,216 thousand (Employee salary of the year / “Number of employees of the year - Non-employee board members”).
The average of employee salary of the previous year was \$3,284 thousand (Employee salary of the year / “Number of employees of the year - Non-employee board members”).
 - (3) Adjustment to the average of employee salary is 33% (“Average of employee salary of the year - The average of employee salary of the previous year” / “Average employee salary costs of the previous year”).
 - (4) No remuneration for supervisors as the supervisors were replaced by members of the Audit Committee this year.
 - (5) The performance assessment and salary / remuneration of board directors, members of the Audit Committee and managers are usually carried out/ distributed based on the industry's standards as well as individual performance, the Corporation's operating performance and future risks.