

AP Memory Technology Corporation  
and Subsidiaries

Consolidated Financial Statements and  
Independent Auditors' Review Report

For the Six Months Ended June 30,  
2021 and 2020

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For the convenience of readers and for information purpose only, the independent auditors' review report and the accompanying consolidated 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 independent auditors' review report and consolidated financial statements shall prevail.

## **Independent Auditors' Review Report**

The Board of Directors and Stockholders

AP Memory Technology Corporation

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of AP Memory Technology Corporation and its Subsidiaries (hereinafter referred to as the “Group”) as of June 30, 2021 and 2020, the related consolidated statements of comprehensive income for the quarter ended June 30, 2021 and 2020 and as of June 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the six months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the ‘Regulations Governing the Preparation of Financial Reports by Securities Issuers’ and International Accounting Standard 34, ‘Interim Financial Reporting’ as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

### **Scope of Review**

We conducted our reviews in accordance with the Statement of Auditing Standards No. 65 ‘Review of Financial Information Performed by the Independent Auditor of the Entity’ in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of the Company as of June 30, 2021 and 2020, its consolidated financial performance for the quarter ended June 30, 2021 and 2020, and its consolidated financial performance and cash flows for the six months then ended June 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Security Issuers and International Accounting Standard 34 ‘Interim Financial Reporting’ endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Chien, Ming-Yen and Chiu, Cheng-Chun.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

July 30, 2021

## AP Memory Technology Corporation and Subsidiaries

## Consolidated Balance Sheets

June 30, 2021, December 31, 2020 and June 30, 2020

(In Thousands of New Taiwan Dollars)

Code	Assets	June 30, 2021 (Reviewed)		December 31, 2020 (Audited)		June 30, 2020 (Reviewed)	
		Amount	%	Amount	%	Amount	%
	Current assets						
1100	Cash and cash equivalents (Note 6)	\$ 1,478,362	28	\$ 662,967	17	\$ 880,124	26
1110	Financial assets at fair value through profit or loss - Current (Notes 7 and 31)	861,636	17	930,536	23	-	-
1136	Financial assets at amortized cost - Current (Notes 8 and 33)	2,744	-	60,215	1	62,490	2
1150	Notes receivable (Notes 9 and 23)	79,690	2	-	-	-	-
1170	Accounts receivable (Notes 9, 23 and 32)	699,414	13	600,601	15	702,696	21
1200	Other receivables (Note 9)	333,707	6	401,777	10	35,258	1
1220	Current tax assets (Note 4)	-	-	20,453	1	-	-
1310	Inventories (Note 10)	976,651	19	625,055	16	954,165	28
1470	Other current assets (Note 18)	10,709	-	8,423	-	10,397	-
11XX	Total current assets	<u>4,442,913</u>	<u>85</u>	<u>3,310,027</u>	<u>83</u>	<u>2,645,130</u>	<u>78</u>
	Non-current assets						
1510	Financial assets at fair value through profit or loss - Non-current (Notes 7 and 31)	70,042	1	68,016	2	44,078	1
1540	Financial assets at amortized cost - Non-current (Note 8)	5,781	-	5,865	-	6,055	-
1550	Investments accounted for using equity method (Note 13)	79,351	2	79,905	2	77,961	2
1600	Property, plant and equipment (Note 14)	66,162	1	8,009	-	11,772	1
1755	Right-of-use assets (Note 15)	100,571	2	46,096	1	15,402	1
1805	Goodwill (Note 16)	-	-	-	-	76,204	2
1821	Other intangible assets (Note 17)	21,889	-	35,103	1	94,545	3
1840	Deferred tax assets (Note 4)	38,667	1	78,811	2	88,481	3
1915	Prepayments for business facilities	-	-	1,869	-	2,250	-
1920	Refundable deposits (Note 20)	221,099	4	208,547	5	204,836	6
1995	Other non-current assets (Note 18)	203,804	4	141,152	4	108,023	3
15XX	Total non-current assets	<u>807,366</u>	<u>15</u>	<u>673,373</u>	<u>17</u>	<u>729,607</u>	<u>22</u>
1XXX	Total assets	<u>\$ 5,250,279</u>	<u>100</u>	<u>\$ 3,983,400</u>	<u>100</u>	<u>\$ 3,374,737</u>	<u>100</u>
	Liabilities and equity						
	Current liabilities						
2100	Short-term loans (Note 19)	\$ -	-	\$ 130,613	3	\$ 196,585	6
2120	Financial liabilities at fair value through profit or loss - current (Notes 7 and 31)	-	-	-	-	9,753	-
2170	Accounts payable	527,611	10	236,934	6	382,297	11
2200	Other payables (Notes 20 and 32)	656,375	12	332,738	8	220,324	7
2230	Current tax liabilities (Note 4)	160,536	3	132,617	3	-	-
2280	Lease liabilities - Current (Note 15)	38,291	1	19,830	1	10,885	-
2399	Other current liabilities (Notes 20 and 23)	240,148	5	2,375	-	11,408	1
21XX	Total current liabilities	<u>1,622,961</u>	<u>31</u>	<u>855,107</u>	<u>21</u>	<u>831,252</u>	<u>25</u>
	Non-current liabilities						
2570	Deferred tax liabilities (Note 4)	379	-	233	-	11,699	-
2580	Lease liabilities - Non-current (Note 15)	59,651	1	25,090	1	3,931	-
2612	Long-term payables (Note 20)	-	-	-	-	134,724	4
2645	Guarantee deposits received	12,000	-	-	-	-	-
25XX	Total non-current liabilities	<u>72,030</u>	<u>1</u>	<u>25,323</u>	<u>1</u>	<u>150,354</u>	<u>4</u>
2XXX	Total liabilities	<u>1,694,991</u>	<u>32</u>	<u>880,430</u>	<u>22</u>	<u>981,606</u>	<u>29</u>
	Equity attributable to shareholders of the Group (Notes 22, 27 and 29)						
	Share capital						
3110	Ordinary share	743,406	14	742,316	19	740,017	22
3140	Advance receipts for ordinary share	-	-	532	-	2,927	-
3100	Total shares	<u>743,406</u>	<u>14</u>	<u>742,848</u>	<u>19</u>	<u>742,944</u>	<u>22</u>
3200	Capital surplus	<u>1,038,379</u>	<u>20</u>	<u>1,020,722</u>	<u>25</u>	<u>1,001,815</u>	<u>30</u>
	Retained earnings						
3310	Legal reserve	364,163	7	282,992	7	282,992	8
3320	Special reserve	-	-	4,576	-	4,576	-
3350	Unappropriated earnings	1,412,695	27	1,053,036	27	352,335	11
3300	Total retained earnings	<u>1,776,858</u>	<u>34</u>	<u>1,340,604</u>	<u>34</u>	<u>639,903</u>	<u>19</u>
3400	Total other equity	<u>7,891</u>	<u>-</u>	<u>10,042</u>	<u>-</u>	<u>(540)</u>	<u>-</u>
3500	Treasury shares	<u>(11,246)</u>	<u>-</u>	<u>(11,246)</u>	<u>-</u>	<u>(11,246)</u>	<u>(1)</u>
31XX	Total equity attributable to shareholders of the Group	<u>3,555,288</u>	<u>68</u>	<u>3,102,970</u>	<u>78</u>	<u>2,372,876</u>	<u>70</u>
36XX	Non-controlling interests (Notes 12, 22 and 29)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,255</u>	<u>1</u>
3XXX	Total equity	<u>3,555,288</u>	<u>68</u>	<u>3,102,970</u>	<u>78</u>	<u>2,393,131</u>	<u>71</u>
	Total liabilities and equity	<u>\$ 5,250,279</u>	<u>100</u>	<u>\$ 3,983,400</u>	<u>100</u>	<u>\$ 3,374,737</u>	<u>100</u>

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

AP Memory Technology Corporation and Subsidiaries  
Consolidated Statements of Comprehensive Income  
For the quarter ended June 30, 2021 and 2020 and as of June 30, 2021 and 2020  
(Reviewed only, not audited in conformity with the ROC GAAS)

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

Code		For the quarter ended June 30, 2021		For the quarter ended June 30, 2020		As of June 30, 2021		As of June 30, 2020	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (Notes 23 and 32)	\$ 1,633,506	100	\$ 811,174	100	\$ 2,860,711	100	\$ 1,709,190	100
5000	Operating costs (Notes 10 and 24)	<u>881,547</u>	<u>54</u>	<u>604,343</u>	<u>75</u>	<u>1,567,494</u>	<u>55</u>	<u>1,354,249</u>	<u>79</u>
5900	Gross profit	<u>751,959</u>	<u>46</u>	<u>206,831</u>	<u>25</u>	<u>1,293,217</u>	<u>45</u>	<u>354,941</u>	<u>21</u>
	Operating expense (Notes 9 and 24)								
6100	Selling expense	25,429	2	23,674	3	49,787	1	45,256	3
6200	Administrative expense	44,298	3	22,493	3	84,199	3	44,475	3
6300	Research and development expense	83,530	5	84,868	10	167,906	6	145,864	8
6450	Expected credit impairment gain (loss)	<u>78</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 773 )</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000	Total operating expense	<u>153,335</u>	<u>10</u>	<u>131,035</u>	<u>16</u>	<u>301,119</u>	<u>10</u>	<u>235,595</u>	<u>14</u>
6900	Operating profit	<u>598,624</u>	<u>36</u>	<u>75,796</u>	<u>9</u>	<u>992,098</u>	<u>35</u>	<u>119,346</u>	<u>7</u>
	Non-operating income and expense								
7020	Other losses	-	-	( 3,663 )	-	-	-	( 3,663 )	-
7060	Share of other comprehensive income of associates, accounted for using equity method (Note 13)	1,753	-	1,278	-	4,846	-	3,176	-
7100	Interest income	1,178	-	3,033	-	2,124	-	4,753	-
7190	Other income - Other	4,229	-	39	-	7,620	-	1,687	-
7235	Gains on financial assets (liabilities) at fair value through profit or loss (Note 31)	( 1,524 )	-	14,674	2	17,057	1	14,704	1
7510	Interest expense	( 460 )	-	( 642 )	-	( 1,089 )	-	( 1,369 )	-
7630	Foreign exchange losses – Net (Notes 24 and 35)	( 24,578 )	( 1 )	( 26,924 )	( 3 )	( 22,990 )	( 1 )	( 14,848 )	( 1 )
7625	Losses on disposals of investments (Note 28)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 5,539 )</u>	<u>-</u>
7000	Total non-operating income and expense	<u>( 19,402 )</u>	<u>( 1 )</u>	<u>( 12,205 )</u>	<u>( 1 )</u>	<u>7,568</u>	<u>-</u>	<u>( 1,099 )</u>	<u>-</u>
7900	Profit from continuing operations before tax	579,222	35	63,591	8	999,666	35	118,247	7
7950	Income tax expense recognized in profit or loss (Notes 4 and 25)	<u>( 122,967 )</u>	<u>( 7 )</u>	<u>11,880</u>	<u>1</u>	<u>( 193,039 )</u>	<u>( 7 )</u>	<u>6,309</u>	<u>-</u>
8000	Profit from continuing operations in the period	456,255	28	75,471	9	806,627	28	124,556	7
8100	Profit (loss) from discontinued operations (Note 11)	<u>-</u>	<u>-</u>	<u>4,931</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>( 7,272 )</u>	<u>-</u>
8200	Net profit for the period	<u>456,255</u>	<u>28</u>	<u>80,402</u>	<u>10</u>	<u>806,627</u>	<u>28</u>	<u>117,284</u>	<u>7</u>
	Other comprehensive income (Notes 22)								
8360	Items that may be reclassified subsequently to profit or loss:								
8361	Exchange differences on translation of foreign financial statements	<u>( 1,650 )</u>	<u>-</u>	<u>( 2,048 )</u>	<u>-</u>	<u>( 2,151 )</u>	<u>-</u>	<u>351</u>	<u>-</u>
8300	Other comprehensive income for the period (net after income tax)	<u>( 1,650 )</u>	<u>-</u>	<u>( 2,048 )</u>	<u>-</u>	<u>( 2,151 )</u>	<u>-</u>	<u>351</u>	<u>-</u>
8500	Total comprehensive income for the period	<u>\$ 454,605</u>	<u>28</u>	<u>\$ 78,354</u>	<u>10</u>	<u>\$ 804,476</u>	<u>28</u>	<u>\$ 117,635</u>	<u>7</u>
	Net profit attributed to:								
8610	The Company's shareholders	\$ 456,255	28	\$ 75,052	9	\$ 806,627	28	\$ 111,051	7
8620	Non-controlling interest (Notes 12 and 22)	<u>-</u>	<u>-</u>	<u>5,350</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>6,233</u>	<u>-</u>
8600		<u>\$ 456,255</u>	<u>28</u>	<u>\$ 80,402</u>	<u>10</u>	<u>\$ 806,627</u>	<u>28</u>	<u>\$ 117,284</u>	<u>7</u>
	Comprehensive income attributed to:								
8710	The Company's shareholders	\$ 454,605	28	\$ 73,247	9	\$ 804,476	28	\$ 111,494	7
8720	Non-controlling interest (Notes 12 and 22)	<u>-</u>	<u>-</u>	<u>5,107</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>6,141</u>	<u>-</u>
8700		<u>\$ 454,605</u>	<u>28</u>	<u>\$ 78,354</u>	<u>10</u>	<u>\$ 804,476</u>	<u>28</u>	<u>\$ 117,635</u>	<u>7</u>
	Earnings per share (Note 26)								
	From continuing and discontinued operations								
9750	Basic	<u>\$ 6.16</u>		<u>\$ 1.02</u>		<u>\$ 10.89</u>		<u>\$ 1.51</u>	
9850	Diluted	<u>\$ 6.07</u>		<u>\$ 1.00</u>		<u>\$ 10.72</u>		<u>\$ 1.49</u>	
	From continuing operations								
9710	Basic	<u>\$ 6.16</u>		<u>\$ 1.02</u>		<u>\$ 10.89</u>		<u>\$ 1.69</u>	
9810	Diluted	<u>\$ 6.07</u>		<u>\$ 1.00</u>		<u>\$ 10.72</u>		<u>\$ 1.67</u>	

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

AP Memory Technology Corporation and Subsidiaries  
Consolidated Statements of Changes in Equity  
As of June 30, 2021 and 2020  
(Reviewed only, not audited in conformity with the ROC GAAS)

(In Thousands of New Taiwan Dollars)

		Ordinary share (Note 22)				Retained earnings (Note 22)				Other equity items (Notes 22 and 27)							
		Number of shares (in thousands)	Amount	Advance receipts for ordinary share	Total shares	Capital surplus (Notes 22, 27 and 29)	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translating the financial statements of foreign operations	Unearned compensation cost	Total	Treasury shares (Note 22)	Total equity attributed to the Company's shareholders	Non-controlling interest (Notes 12, 22 and 29)	Total equity
A1	Balance at January 1, 2020	73,853	\$ 738,535	\$ -	\$ 738,535	\$ 838,388	\$ 282,992	\$ 3,225	\$ 316,359	\$ 602,576	(\$ 4,576)	(\$ 1,120)	(\$ 5,696)	(\$ 11,246)	\$2,162,557	\$ -	\$2,162,557
	Appropriation and distribution of earnings for the year 2019																
B3	Special reserve	-	-	-	-	-	-	1,351	( 1,351 )	-	-	-	-	-	-	-	-
B5	Cash dividends distributed by the Corporation	-	-	-	-	-	-	-	( 73,682 )	( 73,682 )	-	-	-	-	( 73,682 )	-	( 73,682 )
T1	Compensation cost for employee share options	-	-	-	-	4,485	-	-	-	-	-	-	-	-	4,485	-	4,485
D1	Net profit as of June 30, 2020	-	-	-	-	-	-	-	111,051	111,051	-	-	-	-	111,051	6,233	117,284
D3	Other comprehensive income as of June 30, 2020	-	-	-	-	-	-	-	-	-	443	-	443	-	443	( 92 )	351
D5	Total comprehensive income as of June 30, 2020	-	-	-	-	-	-	-	111,051	111,051	443	-	443	-	111,494	6,141	117,635
M5	Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	153,042	-	-	-	-	3,593	-	3,593	-	156,635	14,072	170,707
M7	Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	( 42 )	( 42 )	-	-	-	-	( 42 )	42	-
N1	Issuance of ordinary shares under the employee share option plan	148	1,482	2,927	4,409	5,900	-	-	-	-	-	-	-	-	10,309	-	10,309
N1	Issuance of restricted stock awards (RSAs) by the Corporation	-	-	-	-	-	-	-	-	-	-	1,120	1,120	-	1,120	-	1,120
Z1	Balance at June 30, 2020	74,001	\$ 740,017	\$ 2,927	\$ 742,944	\$1,001,815	\$ 282,992	\$ 4,576	\$ 352,335	\$ 639,903	(\$ 540)	\$ -	(\$ 540)	(\$ 11,246)	\$2,372,876	\$ 20,255	\$2,393,131
A1	Balance at January 1, 2021	74,231	\$ 742,316	\$ 532	\$ 742,848	\$1,020,722	\$ 282,992	\$ 4,576	\$1,053,036	\$1,340,604	\$ 10,042	\$ -	\$ 10,042	(\$ 11,246)	\$3,102,970	\$ -	\$3,102,970
	Appropriation and distribution of earnings for the year 2020																
B1	Special reserve	-	-	-	-	-	81,171	-	( 81,171 )	-	-	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	-	-	( 4,576 )	4,576	-	-	-	-	-	-	-	-
B5	Cash dividends distributed by the Corporation	-	-	-	-	-	-	-	( 370,373 )	( 370,373 )	-	-	-	-	( 370,373 )	-	( 370,373 )
T1	Compensation cost for employee share options	-	-	-	-	12,506	-	-	-	-	-	-	-	-	12,506	-	12,506
D1	Net profit as of June 30, 2021	-	-	-	-	-	-	-	806,627	806,627	-	-	-	-	806,627	-	806,627
D3	Other comprehensive income after tax as of June 30, 2021	-	-	-	-	-	-	-	-	-	( 2,151 )	-	( 2,151 )	-	( 2,151 )	-	( 2,151 )
D5	Total comprehensive income as of June 30, 2021	-	-	-	-	-	-	-	806,627	806,627	( 2,151 )	-	( 2,151 )	-	804,476	-	804,476
N1	Issuance of ordinary shares under the employee share option plan	109	1,090	( 532 )	558	5,151	-	-	-	-	-	-	-	-	5,709	-	5,709
Z1	Balance at June 30, 2021	74,340	\$ 743,406	\$ -	\$ 743,406	\$1,038,379	\$ 364,163	\$ -	\$1,412,695	\$1,776,858	\$ 7,891	\$ -	\$ 7,891	(\$ 11,246)	\$3,555,288	\$ -	\$3,555,288

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

AP Memory Technology Corporation and Subsidiaries

Consolidated Statements of Cash Flows

As of June 30, 2021 and 2020

(Reviewed only, not audited in conformity with the ROC GAAS)

(In Thousands of New Taiwan Dollars)

Code		As of June 30, 2021	As of June 30, 2020
	Cash flows from operating activities		
A00010	Income from continuing operations		
	before income taxes	\$ 999,666	\$ 118,247
A00020	Income from discontinued operations		
	before income taxes	-	( 7,267 )
A10000	Income before taxes for the year	999,666	110,980
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expense	20,516	12,443
A20200	Amortization expense	13,464	13,796
A20300	Expected credit loss	( 773 )	-
A20400	Valuation gain on financial assets		
	at fair value through profit or		
	loss	( 17,057 )	( 14,704 )
A20900	Interest expense	1,089	1,405
A21200	Interest income	( 2,124 )	( 4,780 )
A21900	Cost of share-based payment	12,506	5,605
A22300	Share of profit (loss) of associates		
	accounted for using equity		
	method	( 4,846 )	( 3,176 )
A22500	Loss on disposal and scrap of		
	property, plant and equipment	-	64
A23100	Gain (on disposal of assets	-	5,539
A23700	Loss of inventory falling price and		
	slow-moving inventory	( 2,616 )	68,394
A24100	Unrealized foreign exchange loss	23,717	1,365
A29900	Loss on lease contract	-	121
A30000	Changes in operating assets and		
	liabilities		
A31110	Financial assets at fair value		
	through profit or loss	83,931	-
A31150	Notes and accounts receivable	( 178,028 )	( 119,137 )
A31180	Other receivables	47,263	24,842
A31200	Inventories	( 348,980 )	108,243
A31240	Other assets	( 64,938 )	21,633
A32150	Accounts payable	288,918	78,326
A32180	Other payables	( 47,192 )	( 55,022 )
A32230	Other current liabilities	237,774	4,170
A33000	Cash inflow (outflow) generated from		
	operations	1,062,290	260,107

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C o d e		As of June 30, 2021	As of June 30, 2020
A33100	Interest received	\$ 1,507	\$ 4,767
A33300	Interest paid	( 1,241 )	( 1,499 )
A33500	Income taxes paid	( 104,377 )	( 113 )
AAAA	Net cash inflow (outflow) generated from operating activities	<u>958,179</u>	<u>263,262</u>
	Cash flows from investing activities		
B00400	Acquisition of financial assets at amortized cost	-	( 59,265 )
B00050	Disposal of financial assets at amortized cost	57,471	-
B00200	Disposal of financial assets at fair value through profit or loss	-	45,808
B02300	Proceeds from disposal of subsidiaries (Note 28)	-	( 10,189 )
B02700	Purchase of property, plant and equipment	( 61,823 )	( 1,969 )
B03800	Decrease (increase) in refundable deposits	( 12,552 )	1,829
B04500	Acquisition of intangible assets	( 651 )	( 632 )
B07600	Dividends received from associates	5,400	7,740
B09900	Issuance of financial liabilities measured at fair value through profit or loss	<u>-</u>	<u>9,753</u>
BBBB	Net cash flows from investing activities	( <u>12,155</u> )	( <u>6,925</u> )
	Cash flows from (used in) financing activities		
C00200	Decrease in short-term loans	( 130,613 )	( 103,415 )
C03000	Increase in guarantee deposits received	12,000	-
C04020	Payment of lease liabilities	( 16,057 )	( 6,774 )
C04800	Exercise of employee share options	5,709	10,309
C05500	Disposal of ownership interests in subsidiaries (without loss of control)	<u>-</u>	<u>140,447</u>
CCCC	Net cash flows from (used in) financing activities	( <u>128,961</u> )	<u>40,567</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	( <u>1,668</u> )	( <u>1,044</u> )
EEEE	Net increase in cash and cash equivalents	815,395	295,860
E00100	Cash and cash equivalents at the beginning of the year	<u>662,967</u>	<u>584,264</u>
E00200	Cash and cash equivalents at the end of the year	<u>\$ 1,478,362</u>	<u>\$ 880,124</u>

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

AP Memory Technology Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

From January 1 to June 30, 2021 and 2020

(Reviewed only, not audited in conformity with the ROC GAAS)

(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, 2021, 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 consolidated financial statements are presented in the Corporation’s functional currency, the New Taiwan dollar.

2. Approval of Financial Statements

The consolidated financial statements were approved by the Corporation’s board of directors on July 30, 2021.

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

- (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 Group’s accounting policy.

- (2) Applicable IFRSs endorsed by FSC in 2022

Newly released, amended or revised standards and interpretations	Effective date issued by IASB
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022 (Note 1)
Amendment to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendment to IAS 16 “Property, plant and equipment Proceeds before intended use”	January 1, 2022 (Note 3)
Amendment to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: Amendments to IFRS 9 are applicable to exchanges or modified terms of financial liabilities incurred during annual reporting period beginning on or after January 1, 2022; amendments to “IAS 41 Agriculture” are applicable to fair value measurements incurred during annual reporting period beginning on or after January 1, 2022; and amendments to “First-time adoption of International Financial



Reporting Standards (IFRSs)” are applied retrospectively during annual reporting period beginning on or after January 1, 2022.

Note 2: The Corporation shall apply the amendment to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 3: The amendment shall be applied retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the first annual reporting period beginning on or after January 1, 2021.

Note 4: The Corporation shall apply the amendment to contracts for which the Corporation has not yet fulfilled all its obligations at the beginning of the annual reporting period beginning on or after January 1, 2022.

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

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

Newly released, amended or revised standards and interpretations	Effective date issued by IASB (Note 1)
Amendment to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Undefined
“Insurance Contract” of IFRS 17	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendment to IAS 1 “Classifying liabilities as current or non-current”	January 1, 2023
Amendment to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendment to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction “	January 1, 2023 (Note 4)

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

Note 3: The amendment shall be applied to changes in accounting estimates and accounting policy at the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Apart from recognizing deferred tax for all temporary differences related to leases and decommissioning obligations on January 1, 2022, the amendments shall be applicable to all transactions after January 1, 2022.

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

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with the 'Regulations Governing the Preparation of Financial Reports by Securities Issuers' and 'Interim Financial Reporting' recognized and promulgated by Financial Supervisory Committee (FSC). These consolidated financial statements do not include all IFRSs disclosure information required by the entire annual financial statements.

(2) Basis of preparation

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

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

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

(3) Basis of consolidation

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

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

consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

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

See Note 21 and Appendices 7 and 8 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

(4) Other significant accounting policies

Apart from the following descriptions, please refer to ‘Summary of Significant Accounting Policies’ of ‘Consolidated Financial Statements and Independent Auditors’ Report – For the Years Ended December 31, 2020 and 2019’.

Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. The income tax in the interim period is assessed on an annual basis, based in the interim profit before tax calculated by the tax applicable to the expected total annual surplus.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Please refer to ‘Critical Accounting Judgements and Key Sources of Estimation Uncertainty’ of ‘Consolidated Financial Statements and Independent Auditors’ Report – For the Years Ended December 31, 2020 and 2019’.

6. Cash and cash equivalents

	June 30, 2021	December 31, 2020	June 30, 2020
Cash on hand	\$ 98	\$ 98	\$ 170
Checking accounts and demand deposits	928,264	662,869	820,694
Cash equivalents (investments with original maturities of three months or less)			
Time deposits	550,000	-	-
Bonds with repurchase agreements	-	-	59,260
	<u>\$ 1,478,362</u>	<u>\$ 662,967</u>	<u>\$ 880,124</u>

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

	June 30, 2021	December 31, 2020	June 30, 2020
Demand deposits	0.001%~1.4375%	0.001%~0.30%	0.05%~0.30%
Time deposits	0.33%~0.34%	-	-
Bonds with repurchase agreements	-	-	1.2%

7. Financial instruments at FVTPL

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Financial Assets - Current</u>			
Non-derivative financial assets			
- Trust fund beneficiary certificates	\$ 861,636	\$ 930,536	\$ -
<u>Financial Assets – Non-current</u>			
Non-derivative financial assets			
— Foreign unlisted (non-OTC) stocks			
Haining Changmeng Technology Partnership Enterprise (Limited Partnership) (1)	\$ 27,358	\$ 27,243	\$ 30,029
— Domestic emerging stocks			
Powerchip Semiconductor Manufacturing Corp. (2)	42,180	39,984	-
— Domestic unlisted (non-OTC) stocks			
Powerchip Semiconductor Manufacturing Corp. (2)	-	-	14,049
GeneASIC Technologies Corporation (3)	504	789	-
	<u>\$ 70,042</u>	<u>\$ 68,016</u>	<u>\$ 44,078</u>
<u>Financial Assets – Current</u>			
Held for trading			
Options (4)	\$ -	\$ -	\$ 9,753

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

- (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 2021 and 2020, the Group sold 250,000 shares and 700,000 shares at \$16,713 thousand and \$15,775 thousand, totally produced realized benefits of \$14,188 thousand and \$8,705 thousand, respectively. In April 2021, PSMC launched cash capital increase issuance of new shares and the Group purchased 70,000 shares with a total investment amount of \$2,782 thousand. As of June 30, 2021, the Group possesses 0.018% of shares issued by PSMC.
- (3) In August 2020, the Group acquired 50 thousand ordinary shares of GeneASIC Technologies Corporation (hereinafter referred to as GeneASIC) with a in August 2020 at the price of \$500 thousand. The shareholding ratio thereof is 20% and this investment is listed as investments accounted for using equity method. Nevertheless, as the Group failed to participate in GeneASIC's seasoned equity offering (SEO) in December 2020, its shareholding ratio therefore dropped to 19.05%. As such change has affected the Group's significant influence over GeneASIC, investments to GeneASICs are measured at fair value and are recognized as financial assets at fair value through profit or loss. The difference with the carrying value is \$461 thousand, which is recognized as gains on disposal of fixed assets.
- (4) The Group sold 24% of ZENTEL JAPAN CORP.'s (hereinafter referred to as the "Zentel Japan") equity on January 2, 2020 and the options are added to the purchase agreement and offered to trade participatns. In the initial recognition, the Group already recognized the value of options in the contract price, splitted it therefrom and measured it at faire value through profit and loss. For relevant information, please refer to Note 11.

8. Financial assets at amortized cost

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Current</u>			
Time deposits with the original maturity of more than 3 months.	\$ <u>2,744</u>	\$ <u>60,215</u>	\$ <u>62,490</u>
<u>Non-current</u>			
Time deposits with the original maturity of more than 3 months.	\$ <u>5,781</u>	\$ <u>5,865</u>	\$ <u>6,055</u>

Please refer to Note 33 for information relating to investments.

9. Account receivables and other receivables

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
<u>Notes receivable (1)</u>			
Measured at amortized cost			
Gross carrying amount	\$ <u>79,690</u>	\$ <u>-</u>	\$ <u>-</u>
<u>Accounts receivables (1)</u>			
Measured at amortized cost			
Gross carrying amount	\$ 700,727	\$ 602,687	\$ 702,696
Less: Allowance for impairment loss	( <u>1,313</u> )	( <u>2,086</u> )	<u>-</u>
	\$ <u>699,414</u>	\$ <u>600,601</u>	\$ <u>702,696</u>
<u>Other receivables</u>			
Loans receivable (2)			
Fixed interest rate	\$ 297,387	\$ 381,523	\$ -
Taxes receivable	33,181	19,198	34,898
Leases receivable	2,163	-	-
Interests receivable	<u>976</u>	<u>1,056</u>	<u>360</u>
	\$ <u>333,707</u>	\$ <u>401,777</u>	\$ <u>35,258</u>

(1) Notes and accounts receivable

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

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

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

The following table details the impairment loss allowance of notes and accounts receivables measured by the Group using the Provision Matrix:

June 30, 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 360 days	Total
Gross carrying amount	\$ 639,345	\$ 130,915	\$ 8,592	\$ 732	\$ -	\$ -	\$ 833	\$ 780,417
Allowance for impairment loss (lifetime ECL)	( 119 )	( 125 )	( 203 )	( 33 )	-	-	( 833 )	( 1,313 )
Amortized cost	<u>\$ 639,226</u>	<u>\$ 130,790</u>	<u>\$ 8,389</u>	<u>\$ 699</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 779,104</u>

December 31, 2020

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

June 30, 2020

	Not past due	Due in 1 – 30 days	Due in 31 – 60 days	Due in 61 – 90 days	Due in 91 – 180 days	Due in 181 – 360 days	Due in more than 360 days	Total
Gross carrying amount	\$ 641,457	\$ 21,051	\$ 20,357	\$ 18,603	\$ 1,228	\$ -	\$ -	\$ 702,696
Allowance for impairment loss (lifetime ECL)	-	-	-	-	-	-	-	-
Amortized cost	<u>\$ 641,457</u>	<u>\$ 21,051</u>	<u>\$ 20,357</u>	<u>\$ 18,603</u>	<u>\$ 1,228</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 702,696</u>

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

	As of June 30, 2021	As of June 30, 2020
Balance at the beginning of the period	\$ 2,086	\$ 2,738
Less: Reversal of impairment loss for the period	( 773 )	-
Less: Disposal of subsidiaries (Note 28)	-	( 2,738 )
Balance at the end of the period	<u>\$ 1,313</u>	<u>\$ -</u>

(2) Other receivables – Loans receivable

The interest rate exposure and contract expiry date of the Group's fixed-rate loans receivable are as follows (June 30, 2020: None):

	June 30, 2021	December 31, 2020
Fixed-rate loans receivable		
No more than 1 year	<u>\$ 297,387</u>	<u>\$ 381,523</u>

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

10. Inventories

	June 30, 2021	December 31, 2020	June 30, 2020
Finished goods	\$ 321,176	\$ 156,564	\$ 347,608
Work-in-process goods	215,044	263,186	365,462
Raw materials	440,431	205,305	241,095
	<u>\$ 976,651</u>	<u>\$ 625,055</u>	<u>\$ 954,165</u>

The nature of operating costs is as follows:

	For the quarter ended June 30, 2021	For the quarter ended June 30, 2020	As of June 30, 2021	As of June 30, 2020
Cost of inventories sold	\$ 885,073	\$ 798,811	\$ 1,570,110	\$ 1,518,894
Cost of service	-	729	-	729
Loss from inventory devaluation (price recovery)	( 3,526 )	36,220	( 2,616 )	68,394
Less: Amounts transferred to discontinued operations	-	( 231,417 )	-	( 233,768 )
	<u>\$ 881,547</u>	<u>\$ 604,343</u>	<u>\$ 1,567,494</u>	<u>\$ 1,354,249</u>

11. Discontinued operations

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

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



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

The income and cash flow of discontinued operations are as follows (as of June 30, 2021: None):

	For the quarter ended June 30, 2020	As of June 30, 2020
Operating revenue	\$ 287,896	\$ 326,034
Operating costs	( 231,417 )	( 233,768 )
Gross profit	56,479	92,266
Research and development expense	( 50,067 )	( 99,341 )
Selling expense	( 1,013 )	( 1,013 )
Administrative expense	( 2,174 )	( 2,174 )
Operating income (loss)	3,225	( 10,262 )
Non-operating income and expenses	1,707	2,994
Income (loss) before taxes	4,932	( 7,268 )
Income tax expense	( 1 )	( 4 )
Profit (loss) from discontinued operations	<u>\$ 4,931</u>	<u>( \$ 7,272 )</u>
Profit (loss) from discontinued operations that belong to:		
The Corporation's shareholders	( \$ 419 )	( \$ 13,505 )
Non-controlling interest	<u>5,350</u>	<u>6,233</u>
	<u>\$ 4,931</u>	<u>( \$ 7,272 )</u>
Cash flow from		
Operating activities		\$ 84,173
Investing activities		( 2,101 )
Financing activities		( 824 )
Effects of exchange rate change on cash		<u>\$ 81,248</u>

## 12. Subsidiaries

### (1) Subsidiaries included in the consolidated financial statements.

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

Investor	Subsidiary	Business nature	Percentage of shareholding			Descriptions
			As of June 30, 2021	As of December 31, 2020	As of June 30, 2020	
The Corporation	AP Memory Corp, USA (hereinafter referred to as "AP-USA")	IC research and development services	100%	100%	100%	(1)
The Corporation	AP MEMORY HOLDING Co., Ltd. (hereinafter referred to as "AP-HOLDING")	Investment related services	-	-	-	(2)
The Corporation	Zentel Electronics	IC research, development and sales	100%	100%	100%	(3)
The Corporation	AP Memory Technology (Hangzhou) Limited Co. (hereinafter referred to as "AP Hangzhou")	IC research, development and sales	100%	100%	100%	(4)
The Corporation	AP Memory Japan G.K. (hereinafter referred to as "AP Japan")	Sale of ICs	-	-	-	(5)
AP-HOLDING	AP Electronics (Beijing) Co., Ltd. (hereinafter referred to as "AP Beijing")	Technical consulting and services of ICs	-	-	-	(6)
Zentel Electronics	Zentel Japan	IC research, development and sales	-	-	76%	(7)
AP Hangzhou	AP Memory Technology (Hong Kong) Co. Limited (hereinafter referred to as "AP Hong Kong")	Sale of ICs	100%	-	-	(8)

- (1) 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 July 30, 2021, the Corporation already contributed US\$2,000 thousand of capital thereto.
- (2) To cope with the growth and operational deployment planning of reinvested enterprises, the Corporation established a subsidiary – "AP-HOLDING" – in the Republic of Seychelles in April 2015. Through the reinvestments of AP-HOLDING, the Corporation then established AP Beijing. AP-HOLDING mainly engages in investments related affairs.

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

- (3) 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 reached a decision to reduce the capitalization by 41.14% and return the share money of \$279,533 thousand. The record date for reverse split was August 9, 2019 and the said amendment has been registered. With respect to Zentel Electronics' business adjustments made in response to the Group's overall strategy, please refer to Note 11. As of July 30, 2021, Zentel Electronics' paid-in capital is \$400,000 thousand.

- (4) Established in Hangzhou in December 2017, AP Hangzhou mainly engages in the design, development and sale of ICs. As of July 30, 2021, AP Hangzhou's paid-in capital is amounted US\$1,000 thousand.
  - (5) AP Japan was established in September 2019 in Japan to promote the sale of ICs. In the consideration of operational adjustments, the Corporation reached a decision on the dissolution of AP Japan on September 18, 2020 and completed the amendment registration on November 2, 2020.
  - (6) Established in October 2015 in Beijing, AP Beijing mainly engages in technical consulting and services of ICs. After the Group sold AP-HOLDING on March 20, 2020, it simultaneously lost control over AP Beijing, which is 100% owned by AP-HOLDING.
  - (7) Established in September 2003 in Japan, Zentel Japan mainly engages in the development, design and sale of ICs. To respond to the Group's strategic adjustments to the business, Zentel Japan was sold on November 30, 2020. For detailed information, please refer to Note 11.
  - (8) AP Hangzhou established AP Memory Technology (Hong Kong) Co. Limited, a company primarily engages in the sale of ICs, in October 2019 in Hong Kong. As of July 30, 2021, AP Hangzhou's paid-in capital is amounted US\$10 thousand.
- (2) Information on subsidiaries with material non-controlling interests (June 30, 2021 and December 31, 2020: None):

Subsidiary	Percentage of shareholding of non-controlling interests and voting rights
	June 30, 2020
Zentel Japan	24%

Subsidiary	Profit (loss) allocated to non-controlling interest As of June 30, 2020	Non-controlling interests June 30, 2020
Zentel Japan	<u>\$ 6,233</u>	<u>\$ 20,255</u>

Below is a summarized financial information of Zentel Japan. The information was prepared without removing the amount of inter-company transactions:

	June 30, 2020
Current assets	\$ 680,215
Non-current assets	7,266
Current liabilities	( 603,085 )
Equity	<u>\$ 84,396</u>

Equity attributed to:

The Corporation's shareholders	\$ 64,141
Non-controlling interests	<u>20,255</u>
	<u>\$ 84,396</u>

	For the quarter ended June 30, 2020	As of June 30, 2020
Operating revenue	<u>\$ 463,814</u>	<u>\$ 696,917</u>
Net profit for the period	\$ 22,294	\$ 25,972
Other comprehensive income	( 389 )	( 389 )
Total comprehensive income	<u>\$ 21,905</u>	<u>\$ 25,583</u>
Net profit attributed to:		
The Corporation's shareholders	\$ 16,944	\$ 19,739
Non-controlling rights of Zentel Japan	<u>5,350</u>	<u>6,233</u>
	<u>\$ 22,294</u>	<u>\$ 25,972</u>
Total comprehensive income attributed to:		
The Corporation's shareholders	\$ 16,647	\$ 19,442
Non-controlling rights of Zentel Japan	<u>5,258</u>	<u>6,141</u>
	<u>\$ 21,905</u>	<u>\$ 25,583</u>
Cash flow from		
Operating activities		\$ 84,173
Financing activities		( 2,101 )
Effects of exchange rate change on cash		( 824 )
Net cash inflow		<u>\$ 81,248</u>

13. Investments accounted for using equity method

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Investments in associate</u>			
Individually insignificant associates			
Lyontek Inc.			
(hereinafter referred to as			
“Lyontek”)	\$ 79,351	\$ 79,905	\$ 77,961

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

	For the quarter ended June 30, 2021	For the quarter ended June 30, 2020	As of June 30, 2021	As of June 30, 2020
Shares held by the Group				
Net profit for the period	\$ 1,753	\$ 1,278	\$ 4,846	\$ 3,176
Total comprehensive income	\$ 1,753	\$ 1,278	\$ 4,846	\$ 3,176

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

The share of profit or loss and other comprehensive income of the associate were alculated using its financial statements that have not been reviewed by CPAs. Nevertheless, the Group’s management level holds the belief that no significant influence would be produced even if the aforesaid financial statements have not been reviewed by CPAs.

14. Property, plant and equipment

	Machinery and equipment	Computer and communications equipment	Office equipment	Leasehold improvement	Total
<u>Cost</u>					
Balance at June 30, 2021	\$ 103,762	\$ 7,938	\$ 5,632	\$ 6,718	\$ 124,050
Addition	58,302	1,055	83	2,383	61,823
Internal transfer	-	-	-	1,869	1,869
Net exchange differences	( 19 )	( 22 )	( 32 )	( 21 )	( 94 )
Balance at June 30, 2021	162,045	8,971	5,683	10,949	187,648
<u>Accumulated depreciation</u>					
Balance at June 30, 2021	99,030	6,723	5,129	5,159	116,041
Depreciation expense	3,249	1,034	445	779	5,507
Net exchange differences	( 6 )	( 17 )	( 23 )	( 16 )	( 62 )
Balance at June 30, 2021	102,273	7,740	5,551	5,922	121,486
December 31, 2020	\$ 4,732	\$ 1,215	\$ 503	\$ 1,559	\$ 8,009
Balance at June 30, 2021	\$ 59,772	\$ 1,231	\$ 132	\$ 5,027	\$ 66,162

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	Machinery and equipment	Computer and communications equipment	Office equipment	Leasehold improvement	Total
<u>Cost</u>					
Balance at January 1, 2020	\$ 109,310	\$ 8,950	\$ 7,619	\$ 5,815	\$ 131,694
Addition	299	-	550	1,120	1,969
Disposal	( 450 )	( 785 )	( 816 )	-	( 2,051 )
Disposal of subsidiaries (Note 28)	-	( 205 )	-	-	( 205 )
Internal difference	588	-	-	-	588
Net exchange differences	( 43 )	( 12 )	( 54 )	( 35 )	( 144 )
Balance at June 30, 2020	<u>109,704</u>	<u>7,948</u>	<u>7,299</u>	<u>6,900</u>	<u>131,851</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2020	102,252	5,876	5,240	3,472	116,840
Depreciation expense	2,795	965	681	1,051	5,492
Disposal	( 450 )	( 785 )	( 752 )	-	( 1,987 )
Disposal of subsidiaries (Note 28)	-	( 194 )	-	-	( 194 )
Net exchange differences	( 26 )	( 8 )	( 21 )	( 17 )	( 72 )
Balance at June 30, 2020	<u>104,571</u>	<u>5,854</u>	<u>5,148</u>	<u>4,506</u>	<u>120,079</u>
Net at June 30, 2020	<u>\$ 5,133</u>	<u>\$ 2,094</u>	<u>\$ 2,151</u>	<u>\$ 2,394</u>	<u>\$ 11,772</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 to 7 years
Office equipment	3 to 7 years
Leasehold improvement	3 years

## 15. Lease Agreements

### (1) Right-of-use assets

	June 30, 2021	December 31, 2020	June 30, 2020
Carrying amounts of right-of-use assets			
Building	\$ 7,253	\$ 12,479	\$ 15,402
Machinery and equipment	<u>93,318</u>	<u>33,617</u>	<u>-</u>
	<u>\$ 100,571</u>	<u>\$ 46,096</u>	<u>\$ 15,402</u>
	For the quarter ended June 30, 2021	For the quarter ended June 30, 2020	As of June 30, 2021
Increase of the right-of-use assets			<u>\$ 69,553</u>
			<u>\$ -</u>
Depreciation expense of the right-of-use asset			
Building	\$ 2,573	\$ 3,130	\$ 5,156
Machinery and equipment	5,216	-	9,853
Less: Depreciation expense of discontinued operations	<u>-</u>	<u>( 987 )</u>	<u>-</u>
	<u>\$ 7,789</u>	<u>\$ 2,143</u>	<u>\$ 15,009</u>
			<u>\$ 4,856</u>

(2) Lease liabilities

	June 30, 2021	December 31, 2020	June 30, 2020
Carry amounts of lease liabilities			
Current	\$ 38,291	\$ 19,830	\$ 10,885
Non-current	\$ 59,651	\$ 25,090	\$ 3,931

The discount rate intervals of lease liabilities are as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Building	1.68% ~ 3.58 %	1.68% ~ 3.58 %	1.68% ~ 3.58%
Machinery and equipment	1.8%	1.8%	-

(3) Other lease information

	For the quarter ended June 30, 2021	For the quarter ended June 30, 2020	As of June 30, 2021	As of June 30, 2020
Expense relating to short-term leases	\$ 552	\$ 697	\$ 1,158	\$ 2,160
Less: Expense relating to short-term leases of discontinued operations	-	( 47 )	-	( 94 )
	\$ 552	\$ 650	\$ 1,158	\$ 2,066
Total cash (outflow) for leases			( \$ 18,138 )	( \$ 8,934 )

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

16. Goodwill

Changes to goodwill is as follows (as of June 30, 2021: None):

	June 30, 2020
Balance at the beginning and end of the period	\$ 76,204

17. Other intangible assets

	Computer software	Technical licensing	Customer relations	Total
<u>Cost</u>				
Balance at June 30, 2021	\$ 109,828	\$ -	\$ -	\$ 109,828
Increase during the period	651	-	-	651
Net exchange differences	( 994 )	-	-	( 994 )
Balance at June 30, 2021	\$ 109,485	\$ -	\$ -	\$ 109,485

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	Computer software	Technical licensing	Customer relations	Total
<u>Accumulated amortization</u>				
Balance at June 30, 2021	\$ 74,725	\$ -	\$ -	\$ 74,725
Amortization expense	13,464	-	-	13,464
Net exchange differences	( 593 )	-	-	( 593 )
Balance at June 30, 2021	<u>\$ 87,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,596</u>
Net at December 31, 2020	<u>\$ 35,103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,103</u>
Net at June 30, 2021	<u>\$ 21,889</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,889</u>
<u>Cost</u>				
Balance at January 1, 2020	\$ 86,767	\$ 114,586	\$ 789	\$ 202,142
Increase during the period	632	-	-	632
Net exchange differences	( 79 )	-	-	( 79 )
Balance at June 30, 2020	<u>\$ 87,320</u>	<u>\$ 114,586</u>	<u>\$ 789</u>	<u>\$ 202,695</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2020	\$ 57,909	\$ 36,287	\$ 237	\$ 94,433
Amortization expense	8,030	5,729	37	13,796
Net exchange differences	( 79 )	-	-	( 79 )
Balance at June 30, 2020	<u>\$ 65,860</u>	<u>\$ 42,016</u>	<u>\$ 274</u>	<u>\$ 108,150</u>
Net at June 30, 2020	<u>\$ 21,460</u>	<u>\$ 72,570</u>	<u>\$ 515</u>	<u>\$ 94,545</u>

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

Computer software	2 to 3 years
Technical licensing	10 years
Customer relations	10.5 years

18. Other Assets

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Current</u>			
Excess business tax paid	\$ 5,713	\$ 6,594	\$ 8,211
Others	<u>4,996</u>	<u>1,829</u>	<u>2,186</u>
	<u>\$ 10,709</u>	<u>\$ 8,423</u>	<u>\$ 10,397</u>
<u>Non-current</u>			
Masks and probe cards	\$ 203,804	\$ 141,152	\$ 98,124
Prepayment for software licensing fee	<u>-</u>	<u>-</u>	<u>9,899</u>
	<u>\$ 203,804</u>	<u>\$ 141,152</u>	<u>\$ 108,023</u>



19. Loans

Short-term loans (June 30, 2021: None)

	December 31, 2020	June 30, 2020
<u>Secured loan</u> (Note 33)		
Bank loan	\$ 45,473	\$ 46,585
<u>Unsecured loan</u>		
Line of credit loan	<u>85,140</u>	<u>150,000</u>
	<u>\$ 130,613</u>	<u>\$ 196,585</u>

Secured loan refers to finance guarantee provided Zentel Electronics. The guarantee is issued by CTBC Bank upon Zentel Electronics' provision of time-posit as a collateral and is used as a loan guarantee for AP Memory (Hangzhou). The interest rates on loan at December 31, 2020 and June 30, 2020 were both 2.214%.

The Effective Annual Rate (EFA) charged under the line of credit loan at December 31 and June 30, 2020 were 0.72% and 0.88%, respectively.

20. Other Liabilities

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Current</u>			
Other payables			
Payable for dividends	\$ 370,373	\$ -	\$ 73,682
Payable for the customer complaint compensation (1)	98,672	195,435	100,000
Payable for employees' compensation	64,996	36,649	6,470
Payable for salaries and bonuses	43,879	35,518	428
Payable for equipment	19,948	1,090	-
Payable for masks and probe cards	16,928	20,737	5,426
Payable for board directors' remuneration	12,600	9,000	1,500
Payable for compensated absences	7,610	3,688	3,896
Payable for labor and national health insurances	1,895	1,673	1,487
Payable for pension	1,713	1,508	1,424
Payable for labor costs	1,489	2,268	1,832
Others	<u>16,272</u>	<u>25,172</u>	<u>24,179</u>
	<u>\$ 656,375</u>	<u>\$ 332,738</u>	<u>\$ 220,324</u>

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	June 30, 2021	December 31, 2020	June 30, 2020
Other Liabilities			
Contract liabilities	\$ 238,276	\$ 88	\$ 8,233
Receipts under custody	1,870	1,725	3,173
Others	<u>2</u>	<u>562</u>	<u>2</u>
	<u>\$ 240,148</u>	<u>\$ 2,375</u>	<u>\$ 11,408</u>

#### Non-current

##### Long-term payables

Payable for the customer complaint compensation (1)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>134,724</u>
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- (1) The Group received a customer complaint about the specifications of a specific batch of customized products. After negotiating with the customer who suffered from the said damage, the Group set \$342,309 thousand, which is then given to the customer to offset future payments in the following three years as compensation, aside in Q1 of 2019. Apart from the said customer complaint loss, the Group also deposited \$200,000 thousand into the customer's account as a guarantee before the debt is settled. At the end of 2019, the Group checked with the customer in regard to related losses and damages; and then transfer related liability reserves to other payables. As of June 30, 2021, the Group still needs to settle \$98,672 thousand in reliability.

## 21. Retirement benefit plans

### Defined Contribution Plans

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

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

## 22. Equity

### (1) Share capital

#### Ordinary shares

	June 30, 2021	December 31, 2020	June 30, 2020
Number of shares authorized (in thousands)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Authorized share capital	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>74,340</u>	<u>74,231</u>	<u>74,001</u>
Shares issued	<u>\$ 743,406</u>	<u>\$ 742,316</u>	<u>\$ 740,017</u>
Advance receipts for ordinary share	<u>\$ -</u>	<u>\$ 532</u>	<u>\$ 2,927</u>

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

Due to employees' exercise of employee share option (ESO), the Corporation issued additional 109 thousand and 148 thousand shares in 2021 and at June 30, 2020, respectively.

### (2) Capital surplus

	June 30, 2021	December 31, 2020	June 30, 2020
<u>May be used to offset a deficit, distributed as cash dividends or transferred to share capital</u>			
(1)			
Arising from issuance of ordinary shares	\$ 630,466	\$ 625,315	\$ 612,689
Difference between consideration and carrying amount of subsidiaries acquired or disposed (Note 29)	<u>153,042</u>	<u>153,042</u>	<u>153,042</u>
	<u>783,508</u>	<u>778,357</u>	<u>765,731</u>
<u>May be used to offset a deficit only (2)</u>			
Exercised and invalid employee share options	182,990	180,740	174,856
Acquired RSAs	47,595	47,595	47,595
SEO for employee share options	467	467	467
Changes in subsidiaries' ownership interests recognized using the equity method	<u>401</u>	<u>401</u>	<u>-</u>
	<u>231,453</u>	<u>229,203</u>	<u>222,918</u>
<u>May not be used for any purpose</u>			
Employee share options	<u>23,418</u>	<u>13,162</u>	<u>13,166</u>
	<u>\$ 1,038,379</u>	<u>\$ 1,020,722</u>	<u>\$ 1,001,815</u>

- (1) Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).
  - (2) Capital surplus generated from exercised and invalid employee share options; acquired RSAs; SEO for employee share options; and changes in subsidiaries' ownership interests recognized using the equity method shall only be used to offset a deficit. No other use is allowed.
- (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. Any remaining amount shall be reported together with accumulated undistributed earnings to the board of directors for distribution. When proposing to distribute the earnings in new shares, the proposal shall be reported to the shareholders' meeting for approval. When proposing to distribute the earnings in cash, the resolution shall be adopted by a majority vote of a meeting of the board of directors attended by two-thirds or more of all the directors; and shall be 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 24(3).

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 appropriation of earnings for 2020 and 2019 is as follows:

	2020	2019
Legal reserve	\$ 81,171	\$ -
Provision for special reserve (reversal)	( \$ 4,576 )	\$ 1,351
Cash dividends	\$ 370,373	\$ 73,682
Dividends per share (NT\$)	\$ 5.0	\$ 1.0

The board of directors already passed resolutions in regard to the aforesaid cash dividends on March 12, 2021 and April 30, 2020, respectively. As for the distribution of the rest earnings of 2019, the shareholders meeting also reached a resolution on June 15, 2020. To respond to “Measures Governing the Postponeent of Public Owned Corporations’ Shareholders’ Meetings due to the Pandemic” as announced by Fiscal Supervisory Commission (FSC), the Group has suspended the convening of shareholders’ meeting. As for the distribution of the rest earnings of 2020, a resolution will be finalized at the shareholders’ meeting to be held on August 20, 2021.

In 2020 and 2019, the dividends per share were paid in cash and the actual amount thereof were \$4.99946006 and \$0.99742797, respectively, due to the exercise of employee share options.

(4) Other equity

A. Exchange differences on translation of foreign financial statements

	<u>As of June 30, 2021</u>	<u>As of June 30, 2020</u>
Balance at the beginning of the period	\$ <u>10,042</u>	( \$ <u>4,576</u> )
Recognized in the current period		
Exchange differences on translating the financial statements of foreign operations	( <u>2,151</u> )	( <u>1,111</u> )
Reclassification adjustment		
Disposal of foreign operations (Note 28)	<u>-</u>	<u>1,554</u>
Other comprehensive income for the period	( <u>2,151</u> )	<u>443</u>
Disposal of subsidiaries’ partial equity	<u>-</u>	<u>3,593</u>
Balance at the end of the period	<u>\$ 7,891</u>	( <u>\$ 540</u> )

B. Unearned compensation cost (As of June 30, 2021: None)

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

	<u>As of June 30, 2020</u>
Balance at the beginning of the period	( \$ <u>1,120</u> )
Expense recognized as share-based payment	<u>1,120</u>
Balance at the end of the period	<u>\$ -</u>

(5) Non-controlling rights (As of June 30, 2021: None)

	As of June 30, 2020
Balance at the beginning of the period	\$ -
Net profit for the period	6,233
Exchange differences on translation of foreign financial statements	( 92 )
Changes in ownership interests in subsidiaries	42
Disposal of subsidiaries' partial equity	<u>14,072</u>
Balance at the end of the period	<u>\$ 20,255</u>

(6) Treasury shares

	Shares transferred to employees (in thousands of shares)
<u>As of June 30, 2021</u>	
Balance at the beginning and end of the period	<u>\$ 258</u>
<u>As of June 30, 2020</u>	
Balance at the beginning and end of the period	<u>\$ 258</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 the price of \$11,246 thousand.

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

## 23. Revenue

	For the quarter ended June 30, 2021	For the quarter ended June 30, 2020	As of June 30, 2021	As of June 30, 2020
Revenue from contracts with customers				
Revenue from the sale of goods	\$ 1,556,572	\$ 714,424	\$ 2,694,325	\$ 1,545,305
Revenue from the rendering of services	76,012	77,206	163,554	138,228
Other income	<u>922</u>	<u>19,544</u>	<u>2,832</u>	<u>25,657</u>
	<u>\$ 1,633,506</u>	<u>\$ 811,174</u>	<u>\$ 2,860,711</u>	<u>\$ 1,709,190</u>

### (1) Descriptions of contracts with customers

#### 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 Group 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.

### (2) Contract balance

	June 30, 2021	December 31, 2020	June 30, 2020	January 1, 2020
Notes and accounts receivable (Note 9)	<u>\$ 779,104</u>	<u>\$ 600,601</u>	<u>\$ 702,696</u>	<u>\$ 588,346</u>
Contract liabilities (Note 20)				
Sale of goods	<u>\$ 238,276</u>	<u>\$ 88</u>	<u>\$ 8,233</u>	<u>\$ 6,546</u>

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

## 24. Net Profit from Continuing Operations

### (1) Depreciation and amortization

	For the quarter ended June 30, 2021	For the quarter ended June 30, 2020	As of June 30, 2021	As of June 30, 2020
Depreciation expense by function				
Cost of sales	\$ 7,558	\$ 681	\$ 12,610	\$ 3,267
Operating expense	<u>4,056</u>	<u>2,780</u>	<u>7,906</u>	<u>6,825</u>
	<u>\$ 11,614</u>	<u>\$ 3,461</u>	<u>\$ 20,516</u>	<u>\$ 10,092</u>
Amortization expense by function				
Cost of sales	\$ 34	\$ 1,033	\$ 77	\$ 2,045
Operating expense	<u>6,658</u>	<u>5,879</u>	<u>13,387</u>	<u>11,751</u>
	<u>\$ 6,692</u>	<u>\$ 6,912</u>	<u>\$ 13,464</u>	<u>\$ 13,796</u>

### (2) Employee benefit expense

	For the quarter ended June 30, 2021	For the quarter ended June 30, 2020	As of June 30, 2021	As of June 30, 2020
Retirement benefit plans (note 21)				
Defined Contribution Plan	<u>\$ 2,782</u>	<u>\$ 1,212</u>	<u>\$ 5,604</u>	<u>\$ 3,021</u>
Share-based payment Equity settlement	<u>6,820</u>	<u>2,413</u>	<u>12,506</u>	<u>5,419</u>
Other employee benefits				
Salary expense	109,373	67,045	204,700	120,200
Labor insurance and national health insurance expense	4,432	3,026	8,776	6,370
Other employment expense	<u>4,273</u>	<u>3,055</u>	<u>7,837</u>	<u>6,311</u>
	<u>118,078</u>	<u>73,126</u>	<u>221,313</u>	<u>132,881</u>
Total employee benefit expense	<u>\$ 127,680</u>	<u>\$ 76,751</u>	<u>\$ 239,423</u>	<u>\$ 141,321</u>
Summarized by functions				
Cost of sales	\$ 11,717	\$ 13,742	\$ 23,900	\$ 25,802
Operating expense	<u>115,963</u>	<u>63,009</u>	<u>215,523</u>	<u>115,519</u>
	<u>\$ 127,680</u>	<u>\$ 76,751</u>	<u>\$ 239,423</u>	<u>\$ 141,321</u>

### (3) Employees' compensation and board directors' remuneration

According to the Corporation's Articles of Incorporation, the Corporation accrued employees' compensation and board directors' remuneration at the rates of no less than 1% and no higher than 3%, respectively, of net profit before income tax.

The estimated employees' compensation and board directors' remuneration as of June 30, 2021 and 2020 are as follows:

Accrual rate	As of June 30, 2021	As of June 30, 2020
Employees' compensation	3.02%	1.49%
Board directors' remuneration	0.35%	0.47%



	For the quarter ended June 30, 2021	For the quarter ended June 30, 2020	As of June 30, 2021	As of June 30, 2020
<u>Amount</u>				
Employees' compensation	\$ 16,814	\$ 900	\$ 31,228	\$ 1,592
Board directors' remuneration	1,800	250	3,600	500

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

As for employees' compensation and board directors' remuneration for the year of 2020, the board of directors reached an agreement on March 12, 2021 as follows:

	C	a	s	h
		2020		
Employees' compensation	\$	34,592		
Board directors' remuneration		8,000		

The Corporation did not set employees' compensation and board directors' remuneration aside in 2019 due to a net loss before income tax.

For the year of 2020, there is no difference between the paid amounts of employees compensation and board directors remuneration and the amounts recognized in the 2020 Consolidated Financial Statements.

With respect to the resolution 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.

#### (4) Exchange difference recognized in profit or loss

	For the quarter ended June 30, 2021	For the quarter ended June 30, 2020	As of June 30, 2021	As of June 30, 2020
Total exchange gain	\$ 15,808	\$ 4,241	\$ 32,108	\$ 26,691
Total exchange loss	( 40,386 )	( 31,165 )	( 55,098 )	( 41,539 )
Net loss	( \$ 24,578 )	( \$ 26,924 )	( \$ 22,990 )	( \$ 14,848 )

## 25. Income Taxes from Continuing Operations

### (1) Income tax recognized in profit or loss

Major components of tax income (expense) as follows:

	For the quarter ended June 30, 2021	For the quarter ended June 30, 2020	As of June 30, 2021	As of June 30, 2020
Current income tax				
Expense recognized in the current period	( \$ 90,495 )	\$ -	( \$ 142,319 )	\$ -
An addition on unappropriated earnings	( 18,312 )	-	( 18,312 )	-
Adjustments of prior years	7,882	-	7,882	-
	( 100,925 )	-	( 152,749 )	-

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	For the quarter ended June 30, 2021	For the quarter ended June 30, 2020	As of June 30, 2021	As of June 30, 2020
Deferred tax				
Expense recognized in the current period	( \$ 22,042 )	( \$ 22,011 )	( \$ 40,290 )	( \$ 27,582 )
Adjustments on prior years	<u>-</u>	<u>33,891</u>	<u>-</u>	<u>33,891</u>
	( <u>22,042</u> )	<u>11,880</u>	( <u>40,290</u> )	<u>6,309</u>
Income tax income (expense) recognized in profit or loss	( <u>\$ 122,967</u> )	<u>\$ 11,880</u>	( <u>\$ 193,039</u> )	<u>\$ 6,309</u>

(2) Income tax assessment

The Corporation and its subsidiary Zentel Electronics' tax returns for income tax through 2019 have been assessed by the tax authorities.

26. Earnings (losses) per share

Unit: NT\$ per share

	For the quarter ended June 30, 2021	For the quarter ended June 30, 2020	As of June 30, 2021	As of June 30, 2020
Basic earnings (losses) per share				
From continuing operations	\$ 6.16	\$ 1.02	\$ 10.89	\$ 1.69
From discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	( <u>0.18</u> )
	<u>\$ 6.16</u>	<u>\$ 1.02</u>	<u>\$ 10.89</u>	<u>\$ 1.51</u>
Diluted earnings (losses) per share				
From continuing operations	\$ 6.07	\$ 1.00	\$ 10.72	\$ 1.67
From discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	( <u>0.18</u> )
	<u>\$ 6.07</u>	<u>\$ 1.00</u>	<u>\$ 10.72</u>	<u>\$ 1.49</u>

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

Net profit for the period

	For the quarter ended June 30, 2021	For the quarter ended June 30, 2020	As of June 30, 2021	As of June 30, 2020
Earnings used in the computation of basic and diluted earnings per share	\$ 456,255	\$ 75,052	\$ 806,627	\$ 111,051
Less: Earnings from discontinued operations that are used in the computation of basic and diluted earnings per share from discontinued operations	<u>-</u>	<u>419</u>	<u>-</u>	<u>13,505</u>
Earnings used in the computation of basic and diluted earnings per share from continuing operations	<u>\$ 456,255</u>	<u>\$ 75,471</u>	<u>\$ 806,627</u>	<u>\$ 124,556</u>

## Number of shares

Unit: 1,000 shares

	For the quarter ended June 30, 2021	For the quarter ended June 30, 2020	As of June 30, 2021	As of June 30, 2020
Weighted average number of ordinary shares outstanding used in the computation of basic earnings (losses) per share	74,081	73,677	74,061	73,630
Effects of potentially dilutive ordinary shares:				
Employee share options	1,097	1,048	1,116	865
Restricted stock awards (RSAs)	-	8	-	24
Employees' compensation	49	4	67	4
Weighted average number of ordinary shares outstanding used in the computation of diluted earnings (losses) per share	<u>75,227</u>	<u>74,737</u>	<u>75,244</u>	<u>74,523</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.

## 27. Share-based payment Agreements

### (1) Employee share option plan

Grant date	March 12, 2021	September 26, 2020	December 20, 2019	April 26, 2019	November 9, 2018	January 25, 2017	November 30, 2014
Approval date by board of directors	August 7, 2020	August 7, 2020	April 26, 2019	August 8, 2018	August 8, 2018	November 3, 2016	July 7, 2014
Grant unit	69,430	319,000	750,000	8,000	692,000	680,000	1,800,000
Exercise price (NT\$) (Note 1)	781	333.5	83.7	43.85	44.8	81.70	36.76
Share per unit	1 ordinary share	1 ordinary share	1 ordinary share	1 ordinary share	1 ordinary share	1 ordinary share	1 ordinary share
Granted to	The Group's employees who meet specific requirements	The Group's employees who meet specific requirements	The Group's employees who meet specific requirements	The Group's employees who meet specific requirements	The Group's employees who meet specific requirements	The Group's employees who meet specific requirements	The Group's employees who meet specific requirements
Vesting conditions (Note 2)	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 40% 3 years 30% 4 years 30% 5 years 25%	3 month 40% 2 years 30% 3 years 30%
Life/ duration (years)	10	10	10	10	10	10	6

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

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

Information relating to issued employee share options is as follows:

Employee share options	As of June 30, 2021		As of June 30, 2020	
	Option per unit	Weighted average exercise prices (NT\$)	Option per unit	Weighted average exercise prices (NT\$)
Outstanding at the beginning of the period	1,540,000	\$ 123.40	1,773,000	\$ 66.54
Offered in the period	69,430	781.00	-	-
Exercised in the period	( 109,000 )	57.26	( 148,200 )	49.81
Became invalid in the period	( 5,000 )	333.50	( 40,600 )	56.08
Outstanding at the end of the period	<u>1,495,430</u>	158.05	<u>1,584,200</u>	68.37
Exercisable at the end of the period	<u>7,000</u>	73.18	<u>184,500</u>	73.18
The weighted average fair value of options offered in the period (NT\$)	<u>\$ 322.04</u>		<u>\$ -</u>	

The Corporation's weighted average price of options exercised as of June 30, 2021 and 2020 were \$654.40 and \$254.36, respectively on the exercise day.

Information relating to employee share operations outstanding is as follows:

June 30, 2021			December 31, 2020			June 30, 2020		
Issue date	Exercise price (NT\$)	Weighted average remaining contractual life (years)	Issue date	Exercise price (NT\$)	Weighted average remaining contractual life (years)	Issue date	Exercise price (NT\$)	Weighted average remaining contractual life (years)
106.01.25	73.18	5.58	106.01.25	73.18	6.07	106.01.25	73.18	6.57
107.11.09	44.30	7.37	107.11.09	44.30	7.86	107.11.09	44.26	8.36
108.04.26	44.30	7.83	108.04.26	44.30	8.32	108.04.26	43.32	8.82
108.12.20	83.50	8.48	108.12.20	83.50	8.97	108.12.20	83.70	9.47
109.09.26	333.50	9.25	109.09.26	333.50	9.75			
110.03.12	781.00	9.70						

Employee share options offered by the Corporation in March 2021 and September 2020, respectively, were assessed using the binomial option pricing model. The parameters of the model are as follows:

Year of offering	March 2021	September 2020
Fair value on the offering date	\$259.14 to \$374.71	\$108.79 to \$161.73
Exercise price	\$781.00	\$333.50
Expected volatility	55.64%	54.68%
Expected life	6 to 7.5 years	6 to 7.5 years
Expected dividend yield	-	-
Risk-free interest rate	0.40% ~ 0.46%	0.35% ~ 0.38%

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

Compensation costs recognized in 2021; for the quarters ended June 30, 2021 and 2020; and as of June 30, 2020 were \$6,820 thousand, \$2,406 thousand, \$12,506 thousand and \$ 4,485 thousand, respectively.

(2) Restricted stock awards (RSAs)

Approval date by board of directors	June 19, 2017
Number of issued shares (in thousands)	500
Issue amount	Free of charge issuance
Effective date upon approval of FSC	July 18, 2017

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

1. The grantee employee shall not sell, transfer, make gift of, create other rights or encumbrances on the RSAs, or otherwise dispose of the RSAs in any other manner.
2. All the proposal rights, motion rights, speech rights, voting rights and any other shareholder rights shall be exercised by the trustee or the custodian (as applicable).
3. The restrictions (including but not limited to transfer restrictions and vesting conditions) applicable to any and all unvested RSAs (and any share derived from such RSAs for whatever reason, including share dividend, retained earning capitalization, recapitalization, reserve capitalization and any cash distributed based on such RSAs for whatever reason, including cash dividend and distribution of capital reserve in the form of cash) shall equally apply to any share derived, directly or indirectly, from and cash distributed based on such unvested RSAs for whatever reason, including share dividend, retained earning capitalization, recapitalization, reserve capitalization, cash dividend and distribution of capital reserve in the form of cash, and any interests (collectively, the "Restricted Share and Cash Distribution").

Before employees reach the vesting conditions, the Corporation may retire such RSAs at no consideration.

The movements in restricted stock awards (RSAs) as of June 30, 2020 is as follows (as of June 30, 2021: None):

	Number of shares (in thousands)
	As of June 30, 2020
Outstanding at the beginning of the period	53
Vested in the period	( 53 )
Balance at the end of the period	<u><u>-</u></u>

Compensation costs recognized for the quarter ended June 30, 2020 and as of June 30, 2020 were \$199 thousand and \$1,120 thousand, respectively.

28. Disposal of subsidiaries

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

(1) Consideration received

	<u>AP Holding</u>	<u>Zentel Japan</u>
Cash	<u>\$ 6,946</u>	<u>\$ 656,869</u>

(2) Analysis of assets and liabilities over which the Corporation lost control

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

(3) Profit (loss) on disposal of subsidiaries

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

(4) Net cash inflow from disposal of subsidiaries

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

29. Equity Transaction with Non-Controlling Interest

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

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

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

30. Capital risk management

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

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

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

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

31. Financial instruments

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

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

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

1. Fair value hierarchy

June 30, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Trust fund beneficiary certificates	\$ 861,636	\$ -	\$ -	\$ 861,636
Equity instrument investment	<u>42,180</u>	<u>-</u>	<u>27,862</u>	<u>70,042</u>
	<u>\$ 903,816</u>	<u>\$ -</u>	<u>\$ 27,862</u>	<u>\$ 931,678</u>

December 31, 2020

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

June 30, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Equity instrument investment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,078</u>	<u>\$ 44,078</u>
<u>Financial assets at FVTPL</u>				
Options	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,753</u>	<u>\$ 9,753</u>



2. Reconciliation of Level 3 - Financial Liabilities at FVTPL

As of June 30, 2021

Financial assets	Measured at FVTPL Equity instruments
Balance at the beginning of the period	\$ 28,032
Recognized in profit or loss	( 170 )
Balance at the end of the period	<u>\$ 27,862</u>
Relating to assets held at the end of the reporting period and recognized as unrealized gains through profit and loss	( \$ 170 )

As of June 30, 2020

Financial assets	Measured at FVTPL Equity instruments
Balance at the beginning of the period	\$ 45,179
Recognized in profit or loss	14,674
Decrease during the period	( 15,775 )
Balance at the end of the period	<u>\$ 44,078</u>
Relating to assets held at the end of the reporting period and recognized as unrealized gains through profit and loss	<u>\$ 5,969</u>
Financial liabilities	
Balance at the beginning of the period	\$ -
Increase during the period	<u>9,753</u>
Balance at the end of the period	<u>\$ 9,753</u>

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

Classification of financial instruments	Valuation techniques and inputs
Non-TWSE/TPEX-listed stock	<ol style="list-style-type: none"> <li>Adopted the market approach, where the recent financing activities of investees are used to arrive at their fair values.</li> <li>Adopted the asset approach, where investees' net asset values and observable financial and operating status is used to arrive at their fair values.</li> </ol>

(3) Classification of financial instruments

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Financial assets</u>			
At Fair Value Through Profit or Loss (FVTPL)			
Trust fund beneficiary certificates	\$ 861,636	\$ 930,536	\$ 44,078
Equity instrument investment	70,042	68,016	-
Measured at amortized cost (Note 1)	2,787,616	1,920,774	1,856,561
<u>Financial liabilities</u>			
Measured at fair value through profit or loss			
Options	-	-	9,753
Measured at amortized cost (Note 2)	1,195,986	700,285	933,930

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

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

(4) Financial risk management objectives and policies

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

1. Market risks

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

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

(1) Currency risk

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

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

Sensitivity analysis

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

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

	Impact of the U.S. dollar	
	As of June 30, 2021	As of June 30, 2020
Profit or loss (i)	\$ 63,415	\$ 62,480

- (i) The above profit or loss is mainly associated with demand deposits, notes receivable, accounts receivable, accounts payable, other receivable, bank loans, 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.

(2) Interest rate risk

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

	June 30, 2021	December 31, 2020	June 30, 2020
Fair value interest rate risk			
- Financial assets	\$ 855,912	\$ 447,603	\$ 127,805
- Financial liabilities	97,942	130,060	164,816
Cash flow interest rate risk			
- Financial assets	928,244	662,848	820,672
- Financial liabilities	-	45,473	46,585

### Sensitivity analysis

The sensitivity analysis was determined on the basis of the Group's exposure to interest rate changes for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period had been outstanding for the whole year. Had interest rates been fifty basis points higher and all other variables were held constant, the Group's pretax profits would have increased by \$2,321 thousand and \$1,935 thousand as of June 30, 2021 and 2020, respectively. Such increase is resulted from the Group's variable-rate account.

#### (3) Other price risks

The price risks exposed to the Group as of June 30, 2021 and 2020 in association with beneficiary certificates and equity instrument investments come from investments that are classified as financial assets at fair value through profit or loss.

### Sensitivity analysis

The following sensitivity analysis is based on the equity price on the reporting period. Nevertheless, the trust fund beneficiary certificates possessed by the Group are excluded from the sensitivity analysis as they are counted as currency market fund with extremely low fluctuation risks.

If the equity price increases/ drops by 5%, the Group's pretax profits would have increased/decreased by \$3,502 thousand and \$2,204 thousand, respectively, as of June 30, 2021 and 2020.

## 2. Credit risk

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

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

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

### 3. Liquidity risk

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

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

#### (1) Table of liquidity and interest rate risks

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

#### June 30, 2021

	Weighted average effective interest rate (%)	On demand or less than 3 months	3 months to 1 year	1 to 5 years
<u>Non-derivative financial liabilities</u>				
Non-interest-bearing current liability	-	\$ 1,142,454	\$ 41,532	\$ -
Lease liabilities	1.82	12,397	27,300	60,659
		<u>\$ 1,154,851</u>	<u>\$ 68,832</u>	<u>\$ 60,659</u>

#### December 31, 2020

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

June 30, 2020

	Weighted average effective interest rate (%)	On demand or less than 3 months	3 months to 1 year	1 to 5 years
<u>Non-derivative</u>				
<u>financial liabilities</u>				
Non-interest-bearing current liability	-	\$ 532,310	\$ 70,311	\$ 134,724
Fixed-rate financial instruments	0.88	150,329	-	-
Lease liabilities	2.235	2,659	10,299	4,040
Floating-rate financial instruments	2.214	-	47,503	-
		<u>\$ 685,298</u>	<u>\$ 128,113</u>	<u>\$ 138,764</u>

(2) Line of credit

	June 30, 2021	December 31, 2020	June 30, 2020
Non-collateral line of credit may be extended upon agreement of both parties			
— Used line of credit	\$ -	\$ 130,613	\$ 196,585
— Available line of credit	800,000	714,860	550,000
	<u>\$ 800,000</u>	<u>\$ 845,473</u>	<u>\$ 746,585</u>

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

(5) Offset of financial assets and liabilities

Financial assets and financial liabilities derived from the sale of the equity of Zentel Japan comply with the offset conditions. Therefore, the total of derivative financial liabilities is used to offset the total of derivative financial assets to acquire the net of financial liabilities, which is stated in the balance sheet.

Quantitative information of financial assets and liabilities that are regulated by the aforesaid offset, executable net settlement agreement or similar protocol is as follows (as March 31, 2021 and December 31, 2020: None):

June 30, 2020

Financial assets	Total of recognized financial liabilities	Total of recognized financial assets that have been offsetted in the balance sheet	Net of financial liabilities that is recognized in the balance sheet
Derivative financial instruments	<u>\$ 12,199</u>	<u>\$ 2,446</u>	<u>\$ 9,753</u>

### 32. Related-Party Disclosures

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

#### (1) Related parties and relationships therewith

<u>Name of related party</u>	<u>Relationship with the Corporation</u>
Lyontek	Associate

#### (2) Operating revenue

<u>Account item</u>	<u>Type of related-party</u>	<u>As of June 30, 2021</u>	<u>As of June 30, 2020</u>
Sales revenue	Associate	<u>\$ 317</u>	<u>\$ 2,146</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) Amounts due from related parties (December 31, 2020: None)

<u>Account item</u>	<u>Type of related-party</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Accounts receivable	Associate	<u>\$ 335</u>	<u>\$ 2,097</u>

#### (4) Amounts due to related parties (June 30, 2021 and 2020: None)

<u>Account item</u>	<u>Type of related-party</u>	<u>December 31, 2020</u>
Other payables	Associate	<u>\$ 398</u>

#### (5) Compensation of key management personnel

	<u>For the quarter ended June 30, 2021</u>	<u>For the quarter ended June 30, 2020</u>	<u>As of June 30, 2021</u>	<u>As of June 30, 2020</u>
Short-term employee benefits	\$ 18,122	\$ 10,497	\$ 37,893	\$ 21,724
Retirement benefit plans	191	352	579	636
Share-based payment	<u>33</u>	<u>-</u>	<u>1,013</u>	<u>529</u>
	<u>\$ 18,346</u>	<u>\$ 10,849</u>	<u>\$ 39,485</u>	<u>\$ 22,889</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.

33. Pledged assets

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Pledged time deposits (recognized as financial assets at amortized cost)	<u>\$ 2,744</u>	<u>\$ 60,215</u>	<u>\$ 62,490</u>

34. Significant Contingent Liabilities and Unrecognized Contractual Commitments

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

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

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

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

35. Foreign Currency Assets and Liabilities with Significance

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



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

June 30, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 65,906	27.86 (USD : TWD)	\$ 1,836,153
USD	237	6.4655 (USD : RMB)	<u>6,595</u>
			<u>\$ 1,842,748</u>
<u>Non-monetary items</u>			
Equity instrument investment at FVTPL			
RMB	6,349	4.309 (RMB : TWD)	<u>\$ 27,358</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	19,940	27.86 (USD : TWD)	\$ 555,521
USD	679	6.4655 (USD : RMB)	18,919
JPY	17,300	0.2521 (JPY : TWD)	<u>4,361</u>
			<u>\$ 578,801</u>

December 31, 2020

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

June 30, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 51,020	29.63 (USD : TWD)	\$ 1,511,720
USD	4,630	107.7063 (USD : JPY)	137,200
USD	417	7.085 (USD : RMB)	12,344
			<u>\$ 1,661,264</u>
<u>Non-monetary items</u>			
Equity instrument investment at FVTPL			
RMB	6,900	4.352 (RMB : TWD)	<u>\$ 30,029</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	6,564	29.63 (USD : TWD)	\$ 194,508
USD	5,737	107.7063 (USD : JPY)	169,973
USD	1,592	7.085 (USD : RMB)	47,178
			<u>\$ 411,659</u>

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

Foreign Currency	For the quarter ended June 30, 2021		For the quarter ended June 30, 2020	
	Exchange Rate	Net exchange gain (loss)	Exchange Rate	Net exchange gain (loss)
USD	27.977 (USD : TWD)	( \$ 25,747 )	29.895 (USD : TWD)	( \$ 26,802 )
USD	6.4602 (USD : RMB)	1,026	7.0846 (USD : RMB)	149
JPY	0.2588 (JPY : TWD)	150	0.2780 (JPY : TWD)	( 243 )
EUR	33.730 (EUR : TWD)	( 7 )	32.900 (EUR : TWD)	( 28 )
		<u>( \$ 24,578 )</u>		<u>( \$ 26,924 )</u>
Foreign Currency	As of June 30, 2021		As of June 30, 2020	
	Exchange Rate	Net exchange gain (loss)	Exchange Rate	Net exchange gain (loss)
USD	28.172 (USD : TWD)	( \$ 24,875 )	30.001 (USD : TWD)	( \$ 13,983 )
USD	6.4602 (USD : RMB)	732	7.0408 (USD : RMB)	( 695 )
JPY	0.2588 (JPY : TWD)	1,154	0.2780 (JPY : TWD)	( 139 )
EUR	33.730 (EUR : TWD)	( 1 )	32.900 (EUR : TWD)	( 31 )
		<u>( \$ 22,990 )</u>		<u>( \$ 14,848 )</u>

### 36. Additional Disclosures

(1) Information on significant transactions and (2) Information on reinvestments:

1. Financing provided to others: Please refer to Appendix 1.
2. Endorsement: Please refer to Appendix 2.
3. Marketable securities held at the end of the period (investments in subsidiaries are excluded): Please refer to Appendix 3.

4. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.
5. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.
6. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.
7. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please refer to the table of Appendix 4.
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to the table of Appendix 5.
9. Information about the derivative financial instrument transaction: None.
10. Others: Business relationships and significant transactions and amount between parent company and subsidiaries and among subsidiaries: Please refer to Appendix 6.
11. Information of investees: Please refer to Appendix 7.

(3) Information on investments in Mainland China:

1. The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, ending balance, amount received as dividends from the investee, and the limitation on investees: Please refer to Appendix 8.
2. Significant direct or indirect transactions with the investee, its prices and terms of payment and unrealized gain or loss:
  - (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
  - (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Please refer to Appendix 6.
  - (3) The amount of property transactions and the amount of the resultant gains or losses: None.
  - (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Please refer to the table of Appendix 2.
  - (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
  - (6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: Please refer to Appendix 6.

- (4) Information on major shareholders: The names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the equity: Please refer to Appendix 9.

37. Operating Segments

Information provided to main decision makers for allocating resources and evaluating departments' performance shall emphasize on the type of products or services given or provided thereby. The Group shall report related information of the following departments:

IoT Business Unit – primarily the sales of IC

AI Business Unit – primarily the authorization of intellectual property core

- (1) Department revenue and operating results (as of June 30, 2020: None)

The revenue and operating results of the Group's continuing operations have their status reported as follows:

As of June 30, 2021

	IOT BU	AI BU	Total
Department revenue	\$ 2,660,465	\$ 200,246	\$ 2,860,711
Operating costs	( <u>1,535,047</u> )	( <u>32,447</u> )	( <u>1,567,494</u> )
Department net	<u>\$ 1,125,418</u>	<u>\$ 167,799</u>	1,293,217
Operating expenses			( <u>301,119</u> )
Net operating profit			992,098
Non-operating income and expenditure			<u>7,568</u>
Net income before tax			<u>\$ 999,666</u>

- (2) Revenue from primary products and labor services

Please refer to Note 23.

AP Memory Technology Corporation and Subsidiaries  
Financing Provided to Others  
As of June 30, 2021

Appendix 1

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

No.	Financing company	Counterparty	Financial statement account	Related party	Maximum balance for the period	Ending balance	Drawn amount	Interest rate collars	Nature of financing	Trading amount	Reasons for short-term financing	Allowance for bad debt	Collateral		Maximum amount permitted to a single borrower (Note 1)	Aggregate financing limit (Note 1)	Remarks
													Item	Value			
0	AP Memory Technology Corporation	Zentel Japan Corp.	Other receivables	No (Note 2)	\$ 417,900	\$ 417,900	\$ 297,387	0.37%	Business contacts (Note 1)	\$ 84,075	-	\$ -	-	\$ -	\$ 711,058	\$ 1,422,115	

Note 1: For financing with the purpose of business contacts, the aggregate financing limit and maximum amount permitted to a single borrower shall not exceed 40% and 20% of the Corporation's net value, respectively. The said aggregate financing limit is calculated based on the net value as of June 30, 2021.

Note 2: The Corporation's board of directors reached the resolution of financing ZENTEL JAPAN CORP on September 26, 2020 and the accounts receivable exceeding the normal credit period was transferred to and recognized as other receivables. The Corporation is expected to retrieve all the receivables in batches before December 31, 2021.

AP Memory Technology Corporation and Subsidiaries

Endorsement and Guarantee for Others

As of June 30, 2021

Appendix 2

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorsement/ guarantee provider	Endorsed/ guaranteed party		Maximum endorsement/ guarantee amount permitted to a single party (Note 3)	Maximum balance for the period	Ending balance	Drawn amount	Amount of endorsement/ guarantee collateralized by properties	Ratio of accumulated endorsement/ guarantee to net equity per latest financial statements (%)	Aggregate external endorsement/guar antee amount (Note 3)	Endorseme nt/ guarantee provided by the parent company	Endorseme nt/ guarantee provided by the subsidiary	Endorseme nt/ guarantee provided to subsidiarie s in mainland China.	Remarks
		Company name	Relationship (Note 2)											
0	AP Memory Technology Corporation	Zentel Electronics Corp.	(2)	\$ 1,066,587	\$ 100,000	\$ -	\$ -	\$ -	-	\$ 1,777,644	Y	N	N	
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(2)	1,066,587	27,860	27,860	-	-	0.78	1,777,644	Y	N	N	
1	Zentel Electronics Corp.	AP Memory Technology (Hangzhou) Limited Co.	(4)	142,364	55,720	-	-	-	-	237,273	N	N	Y	

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

- (1) Issuer: “0”.
- (2) Investees: are numbered starting from “1”.

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

- (1) A company with which it does business.
- (2) A company in which the Corporation directly or indirectly holds more than 50 percent of the voting shares.
- (3) A company that directly and indirectly holds more than 50 percent of the voting shares in the Corporation.
- (4) Companies in which the Corporation holds, directly or indirectly, 90% or more of the voting shares.
- (5) Where the Corporation fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6) Where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
- (7) Where companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other,

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

AP Memory Technology Corporation and Subsidiaries  
Marketable Securities Held at the End of the Period  
June 30, 2021

Appendix 3

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

Held company	Type and name of marketable securities	Relationship with the issuer of securities	Account	End of the period				Remarks
				Number of shares/ units	Carrying value	Percentage of ownership(%)	Fair value	
AP Memory Technology Corporation	Trust fund beneficiary certificates							
	CTBC Hwa-win Money Market Fund	—	Current financial assets at fair value through profit or loss - Current	\$ 9,011,535	\$ 100,188	-	\$ 100,188	
	Mega Diamond Money Market Fund	—	Current financial assets at fair value through profit or loss - Current	6,332,158	80,202	-	80,202	
	Equity investments in unlisted (non-OTC) stocks							
	Powerchip Semiconductor Manufacturing Corp.	—	Current financial assets at fair value through profit or loss-Non-current	619,560	42,180	0.018%	42,180	
Zentel Electronics Corp.	Haining Changmeng Technology Partnership Enterprise (Limited Partnership)	—	Current financial assets at fair value through profit or loss-Non-current	-	27,358	24.64%	27,358	
	GeneASIC Technologies Corporation		Current financial assets at fair value through profit or loss-Non-current	500,000	504	19.05%	504	
	Trust fund beneficiary certificates							
	CTBC Hwa-win Money Market Fund	—	Current financial assets at fair value through profit or loss - Current	15,335,596	170,498	-	170,498	
	Mega Diamond Money Market Fund	—	Current financial assets at fair value through profit or loss - Current	20,556,973	260,373	-	260,373	
	Jih Sun Money Market Fund	—	Current financial assets at fair value through profit or loss - Current	16,723,750	250,375	-	250,375	

Note 1: Please refer to Appendixes 7 and 8 for more information about investments in subsidiaries and associates.

AP Memory Technology Corporation and Subsidiaries  
Total Purchases from or Sales to Related Parties of at Least NT\$100 million or 20% of the Paid-in Capital  
As of June 30, 2021

Appendix 4

(In Thousands of New Taiwan Dollars  
Unless Otherwise Specified)

Company name	Related party	Nature of relationship	Transaction details				Abnormal transactions (Note 1)		Notes/ accounts payable or receivable		Remarks
			Purchase/ sale	Amount	% to total	Payment terms	Unit price	Payment terms	Balance	% to total	
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	Sub-subsidiary	Sale	( \$ 580,343 )	( 20.28% )	OA 30 days	\$ -	—	\$ 224,239	24.53%	Note 2
AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	Subsidiary	Sale	( 148,314 )	( 5.18% )	OA 30 days	-	—	18,919	2.07%	Note 2

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

Note 2: All amounts have been written off while preparing the consolidated financial statements.



AP Memory Technology Corporation and Subsidiaries  
Receivables from Related Parties Amounting to at Least NT\$100 million or 20% of the Paid-in Capital  
June 30, 2021

Appendix 5

(In Thousands of New Taiwan Dollars  
Unless Otherwise Specified)

Company name	Related party	Nature of relationship	Ending balance (Note 1)	Turnover	Overdue		Amount(s) received in subsequent period	Allowance for bad debts
					Amount	Action(s) taken		
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	Sub-subsidiary	\$ 224,239	6.17	\$	-	\$ 224,239	\$ -

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

AP Memory Technology Corporation and Subsidiaries  
Intercompany Relationships and Significant Intercompany Transactions  
As of June 30, 2021

Appendix 6

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee company	Counterparty	Relationship (Note 2)	Transaction details			
				Financial statement accounts	Amount (Note 4)	Payment terms	% of total sales or assets (Note 3)
0	AP Memory Technology Corporation	AP Memory Corp, USA	(1)	Contracted research expenses	\$ 32,372	Note 5	1.13%
0	AP Memory Technology Corporation	AP Memory Corp, USA	(1)	Other payables	15,762	Note 5	0.30%
0	AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	(1)	Operating revenue	148,314	Note 5	5.18%
0	AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	(1)	Operating revenue	18,919	Note 5	0.36%
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(1)	Sales revenue	580,343	Note 5	20.29%
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(1)	Accounts receivable	224,239	Note 5	4.27%
0	AP Memory Technology Corporation	Zentel Electronics Corp.	(1)	Other receivables	486,641	Note 5	9.27%
1	AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited	(3)	Labor revenue	44,733	Note 5	1.56%
1	AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited	(3)	Account receivable	6,592	Note 5	0.13%

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

(1) Parent company: “0”.

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

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

(1) Parent company to subsidiary;

(2) Subsidiary to parent company;

(3) Subsidiary to subsidiary.

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

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

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

AP Memory Technology Corporation and Subsidiaries

Information of Investees

As of June 30, 2021

Appendix 7

(In Thousands of New Taiwan Dollars  
Unless Otherwise Specified)

Investor	Investee	Location	Main business activities	Original investment amount		Balance at the end of the period			Net income of the investee (Note 2)	Investment profit or loss recognized in the period (Notes 2 and 3)	Remarks
				At the end of the period	At the end of last period	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%	\$ 40,125	( \$ 3,538 ) ( USD (125,595) )	( \$ 3,538 )	Subsidiary
	Zentel Electronics Corp.	10F-1, No. 1, Taiyuan 1st St., Zhubei City, Hsinchu County	IC research, development and sales	705,798	705,798	40,000,000	100%	474,546	5,393	5,393	Subsidiary
	Lyontek Inc.	No. 17, Industry East 2nd Road, East District, Hsinchu City	IC design and sales	75,060	75,060	3,600,000	30%	79,351	16,153	4,846	Associate
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 )	-	10,000	100%	5,125	4,892 ( USD 173,654 )	4,892	Subsidiary (Note 5)

Note 1: Based on the exchange rate at June 30, 2021

Note 2: Based on the average exchange rate as of June 30, 2021

Note 3: Apart from Lyontek Inc., all data are calculated based on investees' CPA certified financial statements during the same period.

Note 4: All transacitons between the parent company and subsidiaries have been written off in the consolidated financial statements.

Note 5: To cope with the future operational deployment planning, AP Memory Technology (Hangzhou) Limited Co. established a subsidiary "AP Memory Technology (Hong Kong) Co. Limited" in Hong Kong in October 2019. Actual capital investment was made in June 2021.

AP Memory Technology Corporation and Subsidiaries  
Information on investments in Mainland Chin  
As of June 30, 2021

Appendix 8

(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 period	Investment flows		Accumulated investment outflow from Taiwan at the end of the period (Note 1)	Net income of the investee (Note 34)	The Corporation's direct or indirect shareholding	Investment profit or loss recognized in the period (Notes 3 and 5)	Carry amount of the investment at the end of the period (Notes 4 and 5)	Inward investment benefits at the end of the period
					Outflow	Inflow						
AP Memory Technology (Hangzhou) Limited Co.	IC research, development and sales	30,344 (USD 1,000,000)	Note 3	30,344 (USD 1,000,000)	\$ -	\$ -	\$ 30,344 (USD 1,000,000)	\$ 67,978 (RMB 15,612,697)	100%	\$ 67,978	\$ 92,780	\$ -

Accumulated Investment in Mainland China at the end of the period	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 30,344 (USD 1,000,000 )	\$ 30,344 (USD 1,000,000 )	\$ 2,133,173 (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 4: Based on the average exchange rate as of June 30, 2021

Note 5: Based on the exchange rate at June 30, 2021

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

Note 7: The calculation is made based on 60% of the Corporation's net value at June 30, 2021 in accordance with Letter Ching-Shen-Tzu No. 09704604680 issued by the Ministry of Economic Affairs.

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

AP Memory Technology Corporation  
Information on Major Shareholders  
June 30, 2021

Appendix 9

Name of major shareholders	Shares	
	No. of shares	Percentage of ownership
Shanyi Investment Co.,Ltd.	13,228,334	17.79

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

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual 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.