

**AP Memory Technology Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2022 and 2021 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
AP Memory Technology Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of AP Memory Technology Corporation and its subsidiaries (collectively, the “Group”) as of March 31, 2022 and 2021, the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the first quarter of 2022 and 2021, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity”. 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 Group as of March 31, 2022 and 2021, its consolidated financial performance and its consolidated cash flows for the first quarter of 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities 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 Ming-Yen Chien and Cheng-Chun Chiu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

April 29, 2022

Notice to Readers

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

For the convenience of readers, 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 auditors' review report and consolidated financial statements shall prevail.

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of March 31, 2022, December 31, 2021, and March 31, 2021

(In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2022 (Reviewed)		December 31, 2021 (Audited)		March 31, 2021 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 7,895,575	65	\$ 2,517,447	40	\$ 973,297	21
Financial assets at fair value through profit or loss - current (Notes 7 and 26)	-	-	-	-	931,141	20
Financial assets at amortized cost – current (Notes 8 and 28)	2,763	-	2,763	-	2,744	-
Note receivable (Notes 9 and 20)	-	-	-	-	26,085	1
Trade receivables (Notes 5, 9, 20 and 27)	797,803	7	854,080	14	756,548	16
Other receivables (Note 9)	541,624	5	38,106	1	384,770	8
Current tax assets (Note 4)	-	-	-	-	20,470	1
Inventories (Notes 5 and 10)	1,748,628	14	1,696,621	27	719,171	16
Other current assets (Note 16)	18,397	-	15,516	-	19,932	-
Total current assets	<u>11,004,790</u>	<u>91</u>	<u>5,124,533</u>	<u>82</u>	<u>3,834,158</u>	<u>83</u>
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Notes 7 and 26)	143,532	1	141,989	2	85,992	2
Financial assets at amortized cost - non-current (Note 8)	6,009	-	5,789	-	5,899	-
Investments accounted for using the equity method (Note 12)	91,592	1	87,123	1	82,998	2
Property, plant and equipment (Note 13)	85,130	1	81,399	1	8,859	-
Right-of-use assets (Note 14)	90,717	1	98,908	2	108,407	2
Intangible assets (Note 15)	15,157	-	16,978	-	28,832	1
Deferred tax assets (Note 4)	26,171	-	25,486	1	62,022	1
Prepayments for equipment	-	-	-	-	3,530	-
Refundable deposits (Notes 17 and 29)	464,396	4	464,971	7	218,116	5
Other non-current assets (Note 16)	203,995	1	231,467	4	192,610	4
Total non-current assets	<u>1,126,699</u>	<u>9</u>	<u>1,154,110</u>	<u>18</u>	<u>797,265</u>	<u>17</u>
TOTAL	<u>\$ 12,131,489</u>	<u>100</u>	<u>\$ 6,278,643</u>	<u>100</u>	<u>\$ 4,631,423</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Contract liabilities (Note 20)	\$ 106,564	1	\$ 173,602	3	\$ 116,259	2
Accounts payable	350,938	3	600,046	9	423,198	9
Other payables (Note 17)	1,418,482	11	192,369	3	322,932	7
Current tax liabilities (Note 4)	577,208	5	388,279	6	184,301	4
Lease liabilities - current (Note 14)	40,872	-	41,286	1	39,485	1
Other current liabilities (Note 17)	8,841	-	4,258	-	2,575	-
Total current liabilities	<u>2,502,905</u>	<u>20</u>	<u>1,399,840</u>	<u>22</u>	<u>1,088,750</u>	<u>23</u>
NON-CURRENT LIABILITIES						
Deferred tax liabilities (Note 4)	26,590	-	19,278	1	1,769	-
Lease liabilities - non-current (Note 14)	41,289	1	50,570	1	67,754	2
Guarantee deposits	14,000	-	14,000	-	9,000	-
Total non-current liabilities	<u>81,879</u>	<u>1</u>	<u>83,848</u>	<u>2</u>	<u>78,523</u>	<u>2</u>
Total liabilities	<u>2,584,784</u>	<u>21</u>	<u>1,483,688</u>	<u>24</u>	<u>1,167,273</u>	<u>25</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 19 and 24)						
Share capital						
Ordinary shares	807,096	7	744,136	12	743,386	16
Advance receipts for ordinary shares	-	-	2,861	-	-	-
Total share capital	<u>807,096</u>	<u>7</u>	<u>746,997</u>	<u>12</u>	<u>743,386</u>	<u>16</u>
Capital surplus	6,146,315	51	1,054,788	17	1,031,493	22
Retained earnings						
Legal reserve	364,163	3	364,163	5	282,992	6
Special reserve	-	-	-	-	4,576	-
Unappropriated earnings	2,214,579	18	2,631,525	42	1,403,408	31
Total retained earnings	<u>2,578,742</u>	<u>21</u>	<u>2,995,688</u>	<u>47</u>	<u>1,690,976</u>	<u>37</u>
Other equity	14,552	-	8,728	-	9,541	-
Treasury shares	-	-	(11,246)	-	(11,246)	-
Total equity	<u>9,546,705</u>	<u>79</u>	<u>4,794,955</u>	<u>76</u>	<u>3,464,150</u>	<u>75</u>
TOTAL	<u>\$ 12,131,489</u>	<u>100</u>	<u>\$ 6,278,643</u>	<u>100</u>	<u>\$ 4,631,423</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 Three Months Ended March 31, 2022 and 2021
(Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended March 31, 2022		For the Three Months Ended March 31, 2021	
	Amount	%	Amount	%
Operating revenue (Notes 20 and 27)	\$ 1,544,730	100	\$ 1,227,205	100
Operating costs (Notes 10 and 21)	<u>823,467</u>	<u>53</u>	<u>685,947</u>	<u>56</u>
Gross profit	<u>721,263</u>	<u>47</u>	<u>541,258</u>	<u>44</u>
Operating expenses (Notes 9 and 21)				
Selling and marketing expenses	38,073	3	24,358	2
General and administrative expenses	38,002	2	39,901	3
Research and development expenses	110,659	7	84,376	7
Reversal of expected credit loss	(431)	-	(851)	-
Total operating expenses	<u>186,303</u>	<u>12</u>	<u>147,784</u>	<u>12</u>
Profit from operations	<u>534,960</u>	<u>35</u>	<u>393,474</u>	<u>32</u>
Non-operating income and expenses				
Other income	1,606	-	3,391	-
Gains on financial assets at fair value through profit or loss (Note 12)	4,469	-	3,093	-
Interest income	1,840	-	946	-
Gain on financial assets at fair value through profit or loss (Note 26)	1,543	-	18,581	2
Interest expense	(390)	-	(629)	-
Foreign exchange gain, net (Notes 21 and 31)	<u>208,530</u>	<u>14</u>	<u>1,588</u>	<u>-</u>
Total non-operating income and expenses	<u>217,598</u>	<u>14</u>	<u>26,970</u>	<u>2</u>
Profit before tax	\$ 752,558	49	\$ 420,444	34
Income tax expense (Notes 4 and 22)	(<u>195,556</u>)	(<u>13</u>)	(<u>70,072</u>)	(<u>5</u>)
NET PROFIT FOR THE PERIOD	<u>557,002</u>	<u>36</u>	<u>350,372</u>	<u>29</u>
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD (Note 19)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>5,824</u>	<u>-</u>	(<u>501</u>)	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>5,824</u>	<u>-</u>	(<u>501</u>)	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 562,826</u>	<u>36</u>	<u>\$ 349,871</u>	<u>29</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 3.53</u>		<u>\$ 2.37</u>	
Diluted	<u>\$ 3.48</u>		<u>\$ 2.33</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
For the Three Months Ended March 31, 2022 and 2021
(Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars)

	Ordinary Share Capital (Notes 19 and 24)				Retained Earnings (Note 19)				Other equity (Note 19) Exchange Differences on Translation of the Financial Statements of Foreign Operations	Treasury Shares (Note 19)	Total Equity
	Amount	Advance Receipts for Ordinary Shares	Total Shares	Capital Surplus (Notes 19 and 24)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total			
Balance at January 1, 2021	\$ 742,316	\$ 532	\$ 742,848	\$1,020,722	\$ 282,992	\$ 4,576	\$1,053,036	\$1,340,604	\$ 10,042	(\$ 11,246)	\$3,102,970
Recognition of employee share options by the Company	-	-	-	5,686	-	-	-	-	-	-	5,686
Net profit for the three months ended March 31, 2021	-	-	-	-	-	-	350,372	350,372	-	-	350,372
Other comprehensive income (loss) for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	-	-	-	(501)	-	(501)
Total comprehensive income (loss) for the three months ended March 31, 2021	-	-	-	-	-	-	350,372	350,372	(501)	-	349,871
Recognition of restricted employee shares issued by the Company	1,070	(532)	538	5,085	-	-	-	-	-	-	5,623
Balance at March 31, 2021	\$ 743,386	\$ -	\$ 743,386	\$1,031,493	\$ 282,992	\$ 4,576	\$1,403,408	\$1,690,976	\$ 9,541	(\$ 11,246)	\$3,464,150
Balance at January 1, 2022	\$ 744,136	\$ 2,861	\$ 746,997	\$1,054,788	\$ 364,163	\$ -	\$2,631,525	\$2,995,688	\$ 8,728	(\$ 11,246)	\$4,794,955
Appropriation of the 2021 earnings Cash dividends distributed by the Company	-	-	-	-	-	-	(968,275)	(968,275)	-	-	(968,275)
Recognition of employee share options by the Company	-	-	-	4,887	-	-	-	-	-	-	4,887
Net profit for the three months ended March 31, 2022	-	-	-	-	-	-	557,002	557,002	-	-	557,002
Other comprehensive income (loss) for the three months ended March 31, 2022, net of income tax	-	-	-	-	-	-	-	-	5,824	-	5,824
Total comprehensive income (loss) for the three months ended March 31, 2022	-	-	-	-	-	-	557,002	557,002	5,824	-	562,826
Cash dividends paid	64,000	-	64,000	5,080,677	-	-	-	-	-	-	5,144,677
Treasury stock retired	(2,580)	-	(2,580)	(2,993)	-	-	(5,673)	(5,673)	-	11,246	-
Recognition of restricted employee shares issued by the Company	1,540	(2,861)	(1,321)	8,956	-	-	-	-	-	-	7,635
Balance at March 31, 2022	\$ 807,096	\$ -	\$ 807,096	\$6,146,315	\$ 364,163	\$ -	\$2,214,579	\$2,578,742	\$ 14,552	\$ -	\$9,546,705

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

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31, 2022 and 2021

(Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 752,558	\$ 420,444
Adjustments for:		
Depreciation expenses	14,894	8,902
Amortization expenses	3,419	6,772
Reversal of expected credit loss	(431)	(851)
Net gain on financial assets at fair value through profit or loss	(1,543)	(18,581)
Interest expense	390	629
Interest income	(1,840)	(946)
Dividend income	(199)	-
Compensation cost of employee share options	4,887	5,686
Share of profit of associates	(4,469)	(3,093)
Losses on inventory valuation loss and obsolescence (gain from price recovery)	(947)	910
Unrealized (gain) loss on foreign currency exchange	(17,507)	16,866
Changes in operating assets and liabilities		
Note and trade receivables	71,344	(174,853)
Other receivables	(493,945)	(1,360)
Inventories	(51,060)	(95,026)
Other assets	24,591	(62,967)
Refundable deposits	575	-
Contract liabilities	(67,038)	116,171
Accounts payable	(253,539)	182,296
Other payables	256,108	(10,630)
Other current liabilities	<u>4,583</u>	<u>288</u>
Cash generated from operations	240,831	390,657
Interest received	1,800	329
Dividends received	199	-

(Continued)

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Interest paid	(\$ 390)	(\$ 781)
Income tax paid	<u>-</u>	(<u>80</u>)
Net cash generated by operating activities	<u>242,440</u>	<u>390,125</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at amortized cost	-	57,756
Acquisition of property, plant and equipment	(11,091)	(2,543)
Increase in refundable deposits	-	(9,569)
Payments for intangible assets	(1,274)	(476)
Increase in prepayments for equipment	<u>-</u>	(<u>1,661</u>)
Net cash generated by (used in) investing activities	<u>(12,365)</u>	<u>43,507</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in short-term borrowings	-	(130,613)
Increase in guarantee deposits	-	9,000
Repayment of the principal portion of lease liabilities	(9,705)	(6,809)
Issuance of common stock for cash	5,144,677	-
Proceeds from exercise of employee share options	<u>7,635</u>	<u>5,623</u>
Net cash generated by (used in) financing activities	<u>5,142,607</u>	(<u>122,799</u>)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>5,446</u>	(<u>503</u>)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,378,128	310,330
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>2,517,447</u>	<u>662,967</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 7,895,575</u>	<u>\$ 973,297</u>

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

(Concluded)

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2022 and 2021

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

(Reviewed, Not Audited)

1. GENERAL INFORMATION

AP Memory Technology Corporation (hereinafter referred to as the “Company”) was incorporated on August 4, 2011, upon approval of the Ministry of Economic Affairs. The Company 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 Company started trading on Emerging Stock Board of TPEX and then trading on Taiwan Stock Exchange (TWSE) on May 31, 2016. The Company also issued an initial public offering of GDRs in January 2022 by way of a capital raising issue of new shares and listed on the Luxembourg Stock Exchange.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on April 29, 2022.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the accounting policies of the Company and entities controlled by the Company (collectively, the “Group”).

- b. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Undetermined
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial application of IFRS 17 and IFRS 9 — Comparative information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments 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: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: The amendments apply to transactions occurring after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of above standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

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:

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its 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 dates of acquisitions up to the effective dates of disposals, 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 Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 11 and Tables 5 and 6 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

Other Significant Accounting Policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2021.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Except as stated below, please refer to the consolidated financial statements for the year ended December 31, 2021 for the critical accounting judgments and key sources of estimation uncertainty.

(1) Estimated impairment of financial assets

The estimated impairment of trade receivables is based on the Group's assumptions about the probability of default and the loss rate of default. The Group considers historical experience, current market and forward-looking information to make assumptions and selects impairment estimates to input values. Please refer to Note 9 for the assumptions used. If actual future cash flows fall short of the Group's expectations, a significant impairment loss could result. In addition, the uncertainty of the impact of Covid-19 epidemic and the impact of financial market fluctuations on the credit risk of financial assets have resulted in a greater degree of uncertainty in the estimation of the probability of default.

(2) Impairment of inventory

The net realizable value of inventory is the estimated selling price in the ordinary course of business, less the estimated costs to complete operations and the estimated costs to complete sales. These estimates are based on current market conditions and historical sales experience of similar products, and changes in market conditions may materially affect the results of these estimates.

6. CASH AND CASH EQUIVALENTS

	<u>Mar.31, 2022</u>	<u>Dec.31, 2021</u>	<u>Mar.31, 2021</u>
Cash on hand	\$ 57	\$ 56	\$ 98
Checking accounts and demand deposits	5,814,518	1,096,391	553,199
Cash equivalents (investments with original maturities of 3 months or less)			
Time deposits	<u>2,081,000</u>	<u>1,421,000</u>	<u>420,000</u>
	<u>\$ 7,895,575</u>	<u>\$ 2,517,447</u>	<u>\$ 973,297</u>

Interest rate ranges for bank deposits on the balance sheet date were as follows:

	<u>Mar.31, 2022</u>	<u>Dec.31, 2021</u>	<u>Mar.31, 2021</u>
Deposits	0.001%~1.4375%	0.001%~1.4375%	0.001%~0.30%
Time deposits	0.28%~0.4%	0.05%~0.4%	0.33%~0.34%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>Mar.31, 2022</u>	<u>Dec.31, 2021</u>	<u>Mar.31, 2021</u>
<u>Financial assets - current</u>			
Non-derivative financial assets			
Mutual funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 931,141</u>
<u>Financial assets - non-current</u>			
Non-derivative financial assets			
Overseas unlisted			
Haining Changmeng Technology Partnership Enterprise (Limited Partnership) (a)	\$ 128,248	\$ 123,638	\$ 26,596
Domestic quoted			
Powerchip Semiconductor Manufacturing Corp. (b)	8,934	12,001	-
Domestic quoted			
Powerchip Semiconductor Manufacturing Corp. (b)	\$ -	\$ -	\$ 58,704
Domestic unlisted			
GeneASIC Technologies Corporation (c)	<u>6,350</u>	<u>6,350</u>	<u>692</u>
	<u>\$ 143,532</u>	<u>\$ 141,989</u>	<u>\$ 85,992</u>

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

significant influence over Haining Changmeng. As of March 31, 2022, the amount of capital paid by the Group accounted for 24.64% of the paid-in capital.

- b. The Group acquired 1,500 thousand ordinary shares of Powerchip Semiconductor Manufacturing Corp. (hereinafter referred to as PSMC), which accounted for 0.048% of PSMC's issued shares in August 2019 at the price of \$15,150 thousand. Later in June 2021 and August 2021, the Group sold 250 thousand shares and 451 thousand shares at \$16,713 thousand and \$30,809 thousand, and recognized realized gains of \$14,188 thousand and 26,253 thousand, respectively. In April 2021, PSMC increased its cash capital and the Group purchased 70 thousand shares with a total investment amount of \$2,782 thousand. As of March 31, 2022, the Group held 0.005% PSMC's issued shares.
- c. In August 2020, the Group acquired 500 thousand ordinary shares of GeneASIC Technologies Corporation (hereinafter referred to as GeneASIC) at the price of \$500 thousand. In August 2021, the Group did not participate in GeneASIC's capital increase, resulting in the equity held by the Group dropped to 14.46%. As of March 31, 2022, the Group held 14.46% of shares issued by GeneASIC.

8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>Mar.31, 2022</u>	<u>Dec.31, 2021</u>	<u>Mar.31, 2021</u>
<u>Current</u>			
Time deposits with original maturities of more than 3 months	\$ <u>2,763</u>	\$ <u>2,763</u>	\$ <u>2,744</u>
<u>Non-current</u>			
Time deposits with original maturities of more than 1 year	\$ <u>6,009</u>	\$ <u>5,789</u>	\$ <u>5,899</u>

Please refer to Note 28 for information relating to pledged assets.

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>Mar.31, 2022</u>	<u>Dec.31, 2021</u>	<u>Mar.31, 2021</u>
<u>Notes receivable (a)</u>			
At amortized cost			
Gross carrying amount	\$ <u>-</u>	\$ <u>-</u>	\$ <u>26,085</u>
<u>Trade receivables(a)</u>			
At amortized cost			
Gross carrying amount	\$ 798,856	\$ 855,564	\$ 757,783
Less: Allowance for impairment loss	(<u>1,053</u>)	(<u>1,484</u>)	(<u>1,235</u>)
	\$ <u>797,803</u>	\$ <u>854,080</u>	\$ <u>756,548</u>
<u>Other receivables</u>			
Wafer purchasing agency receivable (Note 20)	\$ 477,095	\$ -	\$ -
Tax refunds receivables	60,512	34,257	16,641
Loans receivable (b)			
Fixed interest rate	-	-	365,139
Others	<u>4,017</u>	<u>3,849</u>	<u>2,990</u>
	\$ <u>541,624</u>	\$ <u>38,106</u>	\$ <u>384,770</u>

a. Notes receivable and trade receivables

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 each individual trade debt at the end of the reporting period to ensure that an adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk is significantly reduced.

The Group measures the impairment loss allowance for note and trade receivables at an amount equal to lifetime expected credit losses (ECLs). The ECLs on note and trade receivables 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 losses experience does not show significantly different loss patterns for different customer segments, the provision for impairment loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

The following table details the loss allowance of note and trade receivables based on the Group's allowance matrix:

Mar.31, 2022

	Not Past Due	Due in 1- 30 Days	Due in 31-60 Days	Due in 61-90 Days	Due in 91-180 Days	Due in 181-360 Days	Due in More than 360 Days	Total
Gross carrying amount	\$656,092	\$115,514	\$26,395	\$ -	\$ -	\$ -	\$ 855	\$798,856
Allowance for impairment loss (lifetime ECLs)	(5)	(3)	(190)	-	-	-	(855)	(1,053)
Amortized cost	<u>\$656,087</u>	<u>\$115,511</u>	<u>\$26,205</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$797,803</u>

Dec.31, 2021

	Not Past Due	Due in 1- 30 Days	Due in 31-60 Days	Due in 61-90 Days	Due in 91-180 Days	Due in 181- 360 Days	Due in More than 360 Days	Total
Gross carrying amount	\$664,814	\$175,714	\$14,209	\$ -	\$ -	\$ -	\$ 827	\$855,564
Allowance for impairment loss (lifetime ECLs)	(120)	(201)	(336)	-	-	-	(827)	(1,484)
Amortized cost	<u>\$664,694</u>	<u>\$175,513</u>	<u>\$13,873</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$854,080</u>

Mar.31, 2021

	Not Past Due	Due in 1- 30 Days	Due in 31-60 Days	Due in 61-90 Days	Due in 91-180 Days	Due in 181- 360 Days	Due in More than 360 Days	Total
Gross carrying amount	\$626,730	\$151,432	\$ 4,547	\$ 306	\$ -	\$ -	\$ 853	\$783,868
Allowance for impairment loss (lifetime ECLs)	(117)	(144)	(107)	(14)	-	-	(853)	(1,235)
Amortized cost	<u>\$626,613</u>	<u>\$151,288</u>	<u>\$ 4,440</u>	<u>\$ 292</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$782,633</u>

The movements of the loss allowance of trade receivables were as follows:

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Opening balance	\$ 1,484	\$ 2,086
Less: Reversal of impairment loss for the period	(431)	(851)
Closing balance	<u>\$ 1,053</u>	<u>\$ 1,235</u>

b. Other receivables - loans receivable

The interest rate exposure and contract expiry date of the Group's fixed-rate loans receivable are as follows: (March 31, 2022 and December 31, 2021: None):

	Mar.31, 2021
Fixed rate	
Less than 1 year	<u>\$ 365,139</u>

The Group's contractual interest rate on loans receivable is 0.37%.

10. INVENTORIES

	Mar.31, 2022	Dec.31, 2021	Mar.31, 2021
Finished goods	\$ 412,804	\$ 212,800	\$ 197,630
Work- in-process progress	403,961	659,230	302,140
Raw materials	<u>931,863</u>	<u>824,591</u>	<u>219,401</u>
	<u>\$ 1,748,628</u>	<u>\$ 1,696,621</u>	<u>\$ 719,171</u>

The nature of operating costs is as follows:

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Cost of inventories sold	\$ 824,414	\$ 685,037
Losses on inventory valuation loss and obsolescence (gain from price recovery)	(947)	910
	<u>\$ 823,467</u>	<u>\$ 685,947</u>

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

The subsidiaries included in the consolidated financial statements are as follows:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Note
			Mar.31, 2022	Dec.31, 2021	Mar.31, 2021	
AP Memory Technology Corporation ("AP Memory")	AP Memory Corp, USA ("AP-USA")	IC research and development services	100%	100%	100%	(1)
The Company	Zentel Electronics Corporation ("Zentel Electronics")	IC research, development and sales	100%	100%	100%	(2)
The Company	AP Memory Technology (Hangzhou) Limited Co. ("AP Hangzhou")	IC research, development and sales	100%	100%	100%	(3)
The Company	APware Technology Corp. ("APware")	IC research, development and sales	100%	100%	-	(4)

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Note
			Mar.31, 2022	Dec.31, 2021	Mar.31, 2021	
AP Hangzhou	AP Memory Technology (Hong Kong) Co. Limited ("AP Hong Kong")	Sale of ICs	100%	100%	100%	(5)

(Concluded)

- 1) Established in the state of Oregon in the United States in February 2012, AP-USA mainly engages in the research and development of integrated circuits (ICs). As of April 29, 2022, the Company already contributed US\$2,000 thousand of capital thereto.
- 2) To integrate all resources and optimize the synergy, the Company'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 Company totally purchased 55.24% equity interest of Zentel Electronics at the price of \$544,291 thousand. Later on June 19, 2017, the Company then, upon resolution of the board of directors, acquire the remaining 44.76% equity of Zentel Electronics at the price of \$441,040 thousand via cash consideration in accordance with Business Mergers and Acquisitions Act. After that, the Company obtained the full equity of Zentel Electronics. Zentel Electronics engages in the research, development and sale of ICs. To enhance the capital use efficiency and business operation of Zentel Electronics, the Company reached a decision to reduce the capital and return the capital of \$399,000 thousand. The base date was July 30, 2021 and the related registration had been completed. With respect to Zentel Electronics' business adjustments made in response to the Group's overall strategy, please refer to Note 11. As of April 29, 2022, Zentel Electronics' paid-in capital was \$1,000 thousand.
- 3) Established in Hangzhou in December 2017, AP Hangzhou mainly engages in the research, development and sale of ICs.

In 2021, the Company remitted capital in the amount of US\$1,000 thousand. As of April 29, 2022, the paid-in capital of AP Hangzhou was US\$2,000 thousand.
- 4) On October 15, 2021, the board of directors of the Company resolved to establish a subsidiary, APware, in the British Cayman Islands to support the growth of the scale of the investees and future operation planning. APware was established in October 2021 and is mainly engaged in the design, development and sales of integrated circuits. As of April 29, 2022, the Company has not yet made any actual capital investment.
- 5) AP Hangzhou established AP Hong Kong, a company primarily engages in the sale of ICs in October 2019 in Hong Kong. AP Hangzhou already contributed US\$10 thousand of capital thereto in June 2021. As of April 29, 2022, AP Hong Kong's paid-in capital amounted to US\$10 thousand.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>Mar.31, 2022</u>	<u>Dec.31, 2021</u>	<u>Mar.31, 2021</u>
<u>Investments in associates</u>			
Associates that are not individually insignificant material			
Lyontek Inc. ("Lyontek")	<u>\$ 91,592</u>	<u>\$ 87,123</u>	<u>\$ 82,998</u>

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
The Group's share of:		
Net profit for the period	\$ 4,469	\$ 3,093
Total comprehensive income	<u>\$ 4,469</u>	<u>\$ 3,093</u>

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

Investments were accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have not been reviewed. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of Lyontek and GeneASIC which have not been reviewed.

13. PROPERTY, PLANT AND EQUIPMENT

	Machinery and Equipment	Computer And Communication s Equipment	Office Equipment	Leasehold Improvement	Total
<u>Cost</u>					
Balance at January 1, 2022	\$ 146,711	\$ 11,294	\$ 4,259	\$ 16,364	\$ 178,628
Additions	9,970	-	400	-	10,370
Disposals	-	(178)	-	-	(178)
Effect of foreign currency exchange differences	49	34	76	50	209
Balance at March 31, 2022	<u>156,730</u>	<u>11,150</u>	<u>4,735</u>	<u>16,414</u>	<u>189,029</u>
<u>Depreciation expense</u>					
Balance at January 1, 2022	77,546	8,361	3,971	7,351	97,229
Depreciation expenses	5,323	315	94	941	6,673
Disposals	-	(178)	-	-	(178)
Effect of foreign currency exchange differences	27	29	69	50	175
Balance at March 31, 2022	<u>82,896</u>	<u>8,527</u>	<u>4,134</u>	<u>8,342</u>	<u>103,899</u>
Carrying amount at December 31, 2021	<u>\$ 69,165</u>	<u>\$ 2,933</u>	<u>\$ 288</u>	<u>\$ 9,013</u>	<u>\$ 81,399</u>
Carrying amount at March 31, 2022	<u>\$ 73,834</u>	<u>\$ 2,623</u>	<u>\$ 601</u>	<u>\$ 8,072</u>	<u>\$ 85,130</u>
<u>Cost</u>					
Balance at January 1, 2021	\$ 103,762	\$ 7,938	\$ 5,632	\$ 6,718	\$ 124,050
Additions	1,405	1,055	83	-	2,543
Effect of foreign currency exchange differences	(7)	1	(15)	(10)	(31)
Balance at March 31, 2021	<u>105,160</u>	<u>8,994</u>	<u>5,700</u>	<u>6,708</u>	<u>126,562</u>
<u>Depreciation expenses</u>					
Balance at January 1, 2021	99,030	6,723	5,129	5,159	116,041
depreciation expenses	650	500	233	299	1,682
Effect of foreign currency exchange differences	(3)	1	(10)	(8)	(20)
Balance at March 31, 2021	<u>99,677</u>	<u>7,224</u>	<u>5,352</u>	<u>5,450</u>	<u>117,703</u>
Carrying amount at March 31, 2021	<u>\$ 5,483</u>	<u>\$ 1,770</u>	<u>\$ 348</u>	<u>\$ 1,258</u>	<u>\$ 8,859</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their 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 improvements	3 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>Mar.31, 2022</u>	<u>Dec.31, 2021</u>	<u>Mar.31, 2021</u>
Carrying amounts			
Buildings	\$ 13,049	\$ 16,024	\$ 9,874
Machinery and equipment	<u>77,668</u>	<u>82,884</u>	<u>98,533</u>
	<u>\$ 90,717</u>	<u>\$ 98,908</u>	<u>\$ 108,407</u>

	<u>For the Three Months Ended March 31, 2022</u>	<u>For the Three Months Ended March 31, 2021</u>
Additions to the right-of-use assets	<u>\$ -</u>	<u>\$ 69,553</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 3,005	\$ 2,583
Machinery and equipment	<u>5,216</u>	<u>4,637</u>
	<u>\$ 8,221</u>	<u>\$ 7,220</u>

b. Lease liabilities

	<u>Mar.31, 2022</u>	<u>Dec.31, 2021</u>	<u>Mar.31, 2021</u>
Carrying amounts			
Current	<u>\$ 40,872</u>	<u>\$ 41,286</u>	<u>\$ 39,485</u>
Non-current	<u>\$ 41,289</u>	<u>\$ 50,570</u>	<u>\$ 67,754</u>

Range of discount rate for lease liabilities was as follows:

	<u>Mar.31, 2022</u>	<u>Dec.31, 2021</u>	<u>Mar.31, 2021</u>
Buildings	1.8%~2%	1.8%~2%	1.68%~3.58%
Machinery and equipment	1.8%	1.8%	1.8%

c. Other lease information

	<u>For the Three Months Ended March 31, 2022</u>	<u>For the Three Months Ended March 31, 2021</u>
Expense relating to short-term leases	<u>\$ 1,088</u>	<u>\$ 606</u>
Total cash outflow for leases	<u>(\$ 11,183)</u>	<u>(\$ 7,877)</u>

The Group's leases of certain office, employee dorm and parking space qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

15. OTHER INTANGIBLE ASSETS

	<u>Computer Software</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ 100,349
Additions	1,274
Effect of foreign currency exchange differences	<u>1,558</u>
Balance at March 31, 2022	<u>\$ 103,181</u>
<u>Amortization expense</u>	
Balance at January 1, 2022	\$ 83,371
Amortization expenses	3,419
Effect of foreign currency exchange differences	<u>1,234</u>
Balance at March 31, 2022	<u>\$ 88,024</u>
Carrying amount at December 31, 2021	<u>\$ 16,978</u>
Carrying amount at March 31, 2022	<u>\$ 15,157</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 109,828
Additions	476
Effect of foreign currency exchange differences	<u>88</u>
Balance at March 31, 2021	<u>\$ 110,392</u>
<u>Amortization expense</u>	
Balance at January 1, 2021	\$ 74,725
Amortization expenses	6,772
Effect of foreign currency exchange differences	<u>63</u>
Balance at March 31, 2021	<u>\$ 81,560</u>
Carrying amount at March 31, 2021	<u>\$ 28,832</u>

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

Computer software 2-3 years

16. Other assets

	<u>Mar.31, 2022</u>	<u>Dec.31, 2021</u>	<u>Mar.31, 2021</u>
<u>Current</u>			
Refundable deposits	\$ 6,839	\$ 6,415	\$ 16,646
Others	<u>11,558</u>	<u>9,101</u>	<u>3,286</u>
	<u>\$ 18,397</u>	<u>\$ 15,516</u>	<u>\$ 19,932</u>
<u>Non-current</u>			
Masks and probe cards	\$ 181,889	\$ 205,226	\$ 192,610
Prepaid bonus	<u>22,106</u>	<u>26,241</u>	<u>-</u>
	<u>\$ 203,995</u>	<u>\$ 231,467</u>	<u>\$ 192,610</u>

17. OTHER LIABILITIES

	<u>Mar.31, 2022</u>	<u>Dec.31, 2021</u>	<u>Mar.31, 2021</u>
<u>Current</u>			
Other payables			
Dividend payable	\$ 968,275	\$ -	\$ -
Wafer purchasing agency payable (Note 20)	242,918	-	-
Payable for compensation of employees	115,226	106,662	54,720
Payable for salaries or bonuses	\$ 48,134	\$ 51,630	\$ 29,368
Payable for remuneration of directors	9,800	8,000	10,800
Payable for compensated absences	6,798	6,426	5,756
Payable for labor costs	6,492	2,081	1,969
Payable for labor and national health insurances	2,816	2,316	2,075
Payable for pension	2,144	2,095	1,632
Payables for purchases of equipment	584	1,305	-
Payable for masks and probe cards	240	625	41,083
Payable for the customer complaint compensation*	-	-	156,604
Others	15,055	11,229	18,925
	<u>\$ 1,418,482</u>	<u>\$ 192,369</u>	<u>\$ 322,932</u>
Other liabilities			
Contract liabilities	\$ 8,774	\$ 2,557	\$ 2,573
Others	67	1,701	2
	<u>\$ 8,841</u>	<u>\$ 4,258</u>	<u>\$ 2,575</u>

- * 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 the first quarter of 2019. Apart from the aforementioned 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 transferred related liability reserves to other payables. The related liabilities were fully repaid in December 2021.

18. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

The Company adopted a pension plan under the Labor Pension Act (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 retirement benefit plans operated by their respective governments. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the subsidiaries with respect to the retirement benefit plan is to make the specified contributions.

19. EQUITY

a. Share capital

1) Ordinary shares

	<u>Mar.31, 2022</u>	<u>Dec.31, 2021</u>	<u>Mar.31, 2021</u>
Number of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>	<u>100,000</u>
Shares authorized	<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>161,419</u>	<u>148,827</u>	<u>74,339</u>
Shares issued	<u>\$ 807,096</u>	<u>\$ 744,136</u>	<u>\$ 743,386</u>
Advance receipts for ordinary shares	<u>\$ -</u>	<u>\$ 2,861</u>	<u>\$ -</u>

The Company passed the revision of its articles of incorporation regarding par value per share through its shareholders' meeting in August 2021. According to the amendment, the par value per share changed from NT\$10 to NT\$5. The Company had obtained approval from related authorities and completed the registration formalities and the base date of reissuance of shares was October 15, 2021.

The change in the Company's share capital was due to the issuance of GDRs, proceeds from exercise of employee share options and retirement of treasury stock.

As of December 31, 2021, the Company had 38,000 units of exercised stock options that had not yet been issued to new shareholders, and the exercise price of \$2,861 thousand received was recognized as advance receipts for ordinary shares.

2) Issuance of GDRs

On December 6, 2021, the Company resolved at the extraordinary shareholders' meeting to issue new common shares to participate in the issuance of GDRs. On January 25, 2022, the Company issued 6,400,000 units of GDRs on the Luxembourg Stock Exchange at \$29.65 per unit, with each unit carrying 2 shares of the Company's common stock, for a total of 12,800,000 shares, raising total funds of \$189,760,000. The aforementioned GDRs were fully redeemed in February 2022.

b. Capital surplus

	<u>Mar.31, 2022</u>	<u>Dec.31, 2021</u>	<u>Mar.31, 2021</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Issuance of ordinary shares	\$ 5,720,556	\$ 633,916	\$ 630,400
Employee stock options exercised and lapsed	187,324	184,275	182,967
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	153,042	153,042	153,042
Vested restricted shares for employees	47,595	47,595	47,595
Cash capital increase reserved for employees	467	467	467
	<u>6,108,984</u>	<u>1,019,295</u>	<u>1,014,471</u>
<u>May be used to offset a deficit only (2)</u>			
Changes in percentage of ownership interests in subsidiaries	<u>401</u>	<u>401</u>	<u>401</u>
<u>Not be used for any purpose</u>			
Employee share options	<u>36,930</u>	<u>35,092</u>	<u>16,621</u>
	<u>\$ 6,146,315</u>	<u>\$ 1,054,788</u>	<u>\$ 1,031,493</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- 2) Capital surplus generated from exercised and invalid employee share options; vested restricted shares for employees; cash capital increase reserved for employees; and changes in subsidiaries' ownership interests recognized using the equity method shall only be used to offset a deficit. No other use is allowed.

c. Retained earnings and dividend policy

Under the Company's dividend policy in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. If such surplus earning is distributed in the form of cash, it shall be authorized after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. For the policies on

distribution of employees' compensation and remuneration of directors, refer to Note 21(c) on employees' compensation and remuneration of directors.

Considering the Company's environment and growth stage, dividends may be distributed in cash or in shares 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 Company's earnings and available funds for the year upon resolution of the shareholders meeting.

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

The appropriations of earnings for 2021 and 2020 were as follows:

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

The above cash dividends were approved by the board of directors on February 25, 2022 and March 12, 2021, respectively, and the remaining distribution of earnings for 2020 was approved at the shareholders' meeting held on August 20, 2021. The remaining distribution of earnings for 2021 is subject to the resolution of the shareholders' meeting to be held on May 27, 2022.

In 2020, dividends per share were adjusted to NT\$4.99946006 due to the exercise of employee share options.

d. Other equity items

Exchange differences on translation of the financial statements of foreign operations

	<u>For the Three Months Ended March 31, 2022</u>	<u>For the Three Months Ended March 31, 2021</u>
Opening balance	\$ 8,728	\$ 10,042
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	5,824	(501)
Closing balance	<u>\$ 14,552</u>	<u>\$ 9,541</u>

e. Treasury shares

	Shares Transferred to Employees (In Thousands of Shares)
<u>For the Three Months Ended March 31, 2022</u>	
Opening balance	\$ 516
Decrease in the period	(<u>516</u>)
Closing balance	<u>\$ -</u>
<u>For the Three Months Ended March 31, 2021</u>	
Balance at the beginning and the end of the year	<u>\$ 258</u>

To transfer shares to employees, the Company 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 NT\$11,246 thousand. The Company expects to retire the treasury shares above in December 2021. In August 2021, the Company amended its Articles of Incorporation by resolution of the shareholders' meeting to change the par value of each share from \$10 to \$5. The conversion was completed in October 2021, resulting in an increase in the number of treasury stock bought back to 516 thousand shares. On February 25, 2022, the board of directors resolved to cancel the 516 thousand shares of treasury stock and complete the registration of the change.

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 Company. 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 Company 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 Company and amendment registration shall be proceeded. The shares bought back by the Company for maintaining the Company's creditability and shareholders' equity shall be retired within 6 months from the redemption date. Treasury shares possessed by the Company shall not be pledged; and, before transfer, the shareholders' rights shall not be enjoyed as prescribed in Securities and Exchange Act.

20. REVENUE

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 1,426,103	\$ 1,137,753
Labor revenue	\$ 88,296	\$ 47,642
Licensing revenue	28,565	39,900
Other revenue	1,766	1,910
	<u>\$ 1,544,730</u>	<u>\$ 1,227,205</u>

a. Contract information

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of integrated circuit products. Sales of integrated circuit products are recognized as revenue when the goods are shipped 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 for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. Advance receipts

from sales of merchandise are recognized as contract liabilities until the products are delivered.

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

2) Revenue from the rendering of services

Labor revenue is derived from the purchasing agency of wafers and the provision of design and research and development services.

For wafer purchasing services, the Group does not have control over the wafers when they are transferred to customers, and is not responsible for the acceptance of the wafers by customers. In addition, the Group has no commitment to purchase wafers prior to the customer's order and therefore has no inventory risk. The Group provides wafer purchasing services as an agent and recognizes revenue and trade receivables on a net basis when control of the wafers is transferred to the customer with no subsequent obligation, and the remaining receivables and payments are classified as other receivables and other payables for wafer purchase.

Design and research and development services provided by the Group are recognized based on the degree of contract completion.

3) Licensing revenue

Technology licensing transactions are recognized as licensing revenue upon the transfer of the right to use the technology, since there is no commitment to engage in activities that change the functionality of semiconductor intellectual property core and the technology can be maintained without updating or technical support.

b. Contract balances

	<u>Mar.31, 2022</u>	<u>Dec.31, 2021</u>	<u>Mar.31, 2021</u>	<u>Jan.1, 2021</u>
Notes receivable and trade receivables (Note 9)	<u>\$ 797,803</u>	<u>\$ 854,080</u>	<u>\$ 782,633</u>	<u>\$ 600,601</u>
Contract liabilities				
Sale of goods	<u>\$ 106,564</u>	<u>\$ 173,602</u>	<u>\$ 116,259</u>	<u>\$ 88</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Group's satisfaction of performance obligations and the respective customer's payment.

21. Net Profit

a. Depreciation and amortization

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
An analysis of depreciation by function		
Operating costs	\$ 10,370	\$ 5,052
Operating expenses	<u>4,524</u>	<u>3,850</u>
	<u>\$ 14,894</u>	<u>\$ 8,902</u>
An analysis of amortization by function		
Operating costs	\$ -	\$ 43
Operating expenses	<u>3,419</u>	<u>6,729</u>
	<u>\$ 3,419</u>	<u>\$ 6,772</u>

b. Employee benefits expense

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Post-employment benefits (Note 18)		
Defined contribution plans	<u>\$ 3,439</u>	<u>\$ 2,822</u>
Share-based payments		
Equity-settled	<u>4,887</u>	<u>5,686</u>
Other employee benefits		
Salary	134,292	95,327
Labor and health insurance	5,370	4,344
Others	<u>5,330</u>	<u>3,564</u>
	<u>144,992</u>	<u>103,235</u>
Total employee benefits expense	<u>\$ 153,318</u>	<u>\$ 111,743</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 16,167	\$ 12,183
Operating expenses	<u>137,151</u>	<u>99,560</u>
	<u>\$ 153,318</u>	<u>\$ 111,743</u>

c. Compensation of employees and remuneration of directors

According to the Company's Articles of Incorporation, the Company accrues 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, employees' compensation and remuneration of directors.

The compensation of employees and remuneration of directors for the three months ended March 31, 2021 and 2020 were as follows:

<u>Accrual rate</u>	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Compensation of employees	2.16%	3.30%
Remuneration of directors	0.23%	0.41%

<u>Amount</u>	<u>For the Three Months Ended March 31, 2022</u>	<u>For the Three Months Ended March 31, 2021</u>
Compensation of employees	\$ 16,651	\$ 14,414
Remuneration of directors	1,800	1,800

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The appropriation of compensation of employees and remuneration of directors for 2021 and 2020 that was resolved by the board of directors on February 25, 2022 and March 12, 2021, is as shown below:

	<u>Cash</u>	
	<u>2021</u>	<u>2020</u>
Compensation of employees	\$ 74,262	\$ 34,592
Remuneration of directors	8,000	8,000

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2020.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

- d. Gains or losses on foreign currency exchange

	<u>For the Three Months Ended March 31, 2022</u>	<u>For the Three Months Ended March 31, 2021</u>
Foreign exchange gains	\$ 235,041	\$ 16,300
Foreign exchange losses	(26,511)	(14,712)
Net gains (losses)	<u>\$ 208,530</u>	<u>\$ 1,588</u>

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

- a. Income tax recognized in profit or loss:

Major components of income tax expense are as follows:

	<u>For the Three Months Ended March 31, 2022</u>	<u>For the Three Months Ended March 31, 2021</u>
Current tax		
In respect of the current period	\$ 146,197	\$ 51,824
Income tax on unappropriated earnings	42,732	-
Deferred tax		
In respect of the current period	<u>6,627</u>	<u>18,248</u>
Income tax expense recognized in profit or loss	<u>\$ 195,556</u>	<u>\$ 70,072</u>

b. Income tax assessments

The income tax returns of the Company and its subsidiary, Zentel Electronics, through 2020 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

	Unit: NT\$ Per Share	
	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Basic earnings per share	<u>\$ 3.53</u>	<u>\$ 2.37</u>
Diluted earnings per share	<u>\$ 3.48</u>	<u>\$ 2.33</u>

The weighted average number of ordinary shares outstanding used for the earnings per share computation was adjusted retroactively for the change in par value per share on October 15, 2021. The basic and diluted earnings per share adjusted retrospectively for the three months ended March 31, 2021 were as follows:

	Unit: NT\$ Per Share	
	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 4.73</u>	<u>\$ 2.37</u>
Diluted earnings per share	<u>\$ 4.66</u>	<u>\$ 2.33</u>

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

Net Profit for The Period

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 557,002</u>	<u>\$ 350,372</u>

Ordinary Shares Outstanding

	Unit: 1,000 shares	
	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Weighted-average number of ordinary shares used in the computation of basic earnings per share	157,922	148,082
Effects of potentially dilutive ordinary shares:		
Employee share options	1,798	2,256
Compensation of employees	<u>185</u>	<u>105</u>
Weighted-average number of ordinary shares used in the computation of diluted earnings per share	<u>159,905</u>	<u>150,443</u>

If the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

24. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the Group

<u>Grant date</u>	<u>Mar.12, 2021</u>	<u>Sep.26, 2020</u>	<u>Dec.20, 2019</u>	<u>Apr.26, 2019</u>	<u>Nov.09, 2018</u>	<u>Jan.25, 2017</u>
Approval date by board of directors	Aug.07, 2020	Aug.07, 2020	Apr.26, 2019	Aug.08, 2018	Aug.08, 2018	Nov03, 2016
Grant unit	69,430	319,000	750,000	8,000	692,000	680,000
Exercise price (NT\$)	781	333.5	83.7	43.85	44.8	81.70
(Notes 1 and 2)						
Share per unit (Note 2)	1 ordinary share					
Granted to	The Company and subsidiaries' employees who meet specific requirements	The Company and subsidiaries' employees who meet specific requirements	The Company and subsidiaries' employees who meet specific requirements	The Company and subsidiaries' employees who meet specific requirements	The Company and subsidiaries' employees who meet specific requirements	The Company and subsidiaries' employees who meet specific requirements
Vesting conditions	2 years 25%	2 years 40%				
(Note 3)	3 years 25%	3 years 30%				
	4 years 25%	4 years 30%				
	5 years 25%					
Life/duration on (years)	10	10	10	10	10	10

Note 1: Where there is movement in the Company's ordinary shares or the Company pays cash dividends, the exercise price of the option will be adjusted accordingly based on the formula.

Note 2: For any subsequent changes in the Company's par value per share, the exercise price is adjusted first, and then adjust the share subscription percentage accordingly based on the formula, except for the exercised options. In August 2021, the Company amended its Articles of Incorporation by resolution of the shareholders' meeting to change the par value per share from \$10 to \$5. The conversion was completed in October 2021, resulting in the adjustment of the exercise price per unit of the aforementioned stock options to 50% of the original exercise price, and the number of stock options available for subscription was adjusted from 1 share to 2 shares.

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

Information about employee share options was as follows:

<u>Employee Stock Options</u>	<u>For the Three Months Ended March 31, 2022</u>		<u>For the Three Months Ended March 31, 2021</u>	
	<u>Number of Options (Units)</u>	<u>Weighted-average Exercise Price(\$)</u>	<u>Number of Options (Units)</u>	<u>Weighted-average Exercise Price(\$)</u>
Balance at January 1	1,391,430	\$ 162.99	1,540,000	\$ 123.40
Options granted	-	-	69,430	781.00
Options exercised	(154,000)	68.15	(107,000)	57.53
Options expired	(<u>61,900</u>)	59.17	(<u>4,000</u>)	333.50
Balance at March 31	<u>1,175,530</u>	179.74	<u>1,498,430</u>	158.02
Options exercisable, end of period	<u>85,500</u>	76.67	<u>7,000</u>	73.18
Weighted-average fair value of options granted (\$)	<u>\$ -</u>		<u>\$ 322.04</u>	

For the three months ended March 31, 2022 and 2021, the weighted-average share prices at the date of exercise were NT\$418.16 and NT\$587.02, respectively.

Information about outstanding options was as follows:

<u>Mar.31, 2022</u>			<u>Dec.31, 2021</u>			<u>Mar.31, 2021</u>		
	Weighted Average			Weighted Average			Weighted Average	
	Exercise Price	Remaining Contractual Life (Years)		Exercise Price	Remaining Contractual Life (Years)		Exercise Price	Remaining Contractual Life (Years)
<u>Issue Date</u>	<u>(NT\$)</u>	<u>Life (Years)</u>	<u>Issue Date</u>	<u>(NT\$)</u>	<u>Life (Years)</u>	<u>Issue Date</u>	<u>(NT\$)</u>	<u>Life (Years)</u>
Jan.25, 2017	72.8	4.82	Jan.25, 2017	73.18	5.07	Jan.25, 2017	73.18	5.82
Nov.09, 2018	44.0	6.62	Nov.09, 2018	44.30	6.86	Nov.09, 2018	44.30	7.61
Apr.26, 2019	43.0	7.08	Apr.26, 2019	43.30	7.32	Apr.26, 2019	43.30	8.07
Dec.20, 2019	82.4	7.73	Dec.20, 2019	82.90	7.98	Dec.20, 2019	83.50	8.72
Sep.26, 2020	329.2	8.50	Sep.26, 2020	331.20	8.74	Sep.26, 2020	333.50	9.49
Mar.12, 2021	770.6	8.95	Mar.12, 2021	775.50	9.20	Mar.12, 2021	781.00	9.95

Options granted in March 2021 were priced by using the binomial pricing model, and the inputs to the model were as follows:

<u>Year of Offering</u>	<u>Mar. 2021</u>
Fair value per option - grant date	\$259.14~\$374.71
Exercise price	\$781.00
Expected volatility	55.64%
Expected life	6~7.5 years
Expected dividend yield	-
Risk-free interest rate	0.40%~0.46%

Expected volatility was based on the average annualized historical share price volatility of comparable companies before the grant date. The Company assumes that at the midpoint between the expiry of the vested period and the expiry date, the employees will exercise their option.

Compensation costs recognized for the three months ended March 31, 2022 and 2021 were \$4,887 thousand and \$5,686 thousand, respectively.

25. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of equity of the Group (comprising issued capital, reserves, retained earnings and other equity) and short-term borrowings. The Group is not subject to any externally imposed capital requirements.

Management regularly reviews the Group's capital structure and considers the costs and risks of different capital structures. In general, the Group has a prudent risk management strategy.

26. FINANCIAL INSTRUMENTS

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

Management believed the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

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

1) Fair value hierarchy

Mar.31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Investments in equity	\$ 8,934	\$ -	\$ 134,598	\$ 143,532

Dec.31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Investments in equity	\$ 12,001	\$ -	\$ 129,988	\$ 141,989

Mar.31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Equity instruments	\$ 931,141	\$ -	\$ -	\$ 931,141
Investments in equity	58,704	-	27,288	85,992
	<u>\$ 989,845</u>	<u>\$ -</u>	<u>\$ 27,288</u>	<u>\$ 1,017,133</u>

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the Three Months Ended March 31, 2022

<u>Financial Assets</u>	<u>Financial Assets at FVTPL</u> <u>Equity Instruments</u>
Opening balance	\$ 129,988
Recognized in profit or loss	4,610
Closing balance	<u>\$ 134,598</u>
Unrealized gain for the current year included in profit or loss relating to assets held at the end of the period	<u>\$ 4,610</u>

For the Three Months Ended March 31, 2021

<u>Financial Assets</u>	<u>Financial Assets at FVTPL</u> <u>Equity Instruments</u>
Opening balance	\$ 28,032
Recognized in profit or loss	(744)
Closing balance	<u>\$ 27,288</u>
Unrealized gain for the current year included in profit or loss relating to assets held at the end of the period	<u>\$ 744</u>

3) Valuation techniques and inputs applied for the purpose of Level 3 fair value measurement

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Unlisted company stock - domestic and foreign	<ol style="list-style-type: none"> 1. Fair values are estimated using the market approach, with reference to the company's valuation of similar companies and recent financing activities. 2. Fair values are estimated using asset-based approach, with reference to the investee's net assets and business operation.

c. Categories of financial instruments

	<u>Mar.31, 2022</u>	<u>Dec.31, 2021</u>	<u>Mar.31, 2021</u>
<u>Financial assets</u>			
Financial assets at FVTPL			
Mutual funds	\$ 143,532	\$ 141,989	\$ 85,992
Equity instruments	-	-	931,141
Assets measured at amortized cost (Note 1)	9,647,658	3,848,899	2,350,818
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (Note 2)	1,783,420	806,415	755,130

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable and trade receivables, other receivables (excluding tax receivable), and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, accounts payable, other payables, other long-term liabilities, and guarantee deposits.

d. Financial risk management objectives and policies

The Group's major financial instruments included equity and debt investments, notes receivable, trade receivables, other receivables, refundable deposits, short-term borrowings, accounts payables, other payables, lease liabilities, and guarantee deposits. The Group's financial management department provides services to the business unit and coordinates, monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other price risk (see (c) below).

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

Several subsidiaries of the Group have foreign currency denominated sales and purchases, which expose the Group to foreign currency risk. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the period are set out in Note 31.

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign

currency-denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates a decrease in pre-tax profit associated with the functional currency strengthening 5% against the relevant currency. For a 5% weakening of the functional currency against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	USD Impact	
	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Loss*	\$ 314,288	\$ 57,295

* This was mainly attributable to the exposure on outstanding U.S. dollar-denominated deposits, notes receivable, trade receivables, accounts payable, other receivables, bank loans, accounts payable and other payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

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

	Mar.31, 2022	Dec.31, 2021	Mar.31, 2021
Fair value interest rate risk			
Financial assets	\$ 2,089,772	\$ 1,429,552	\$ 793,782
Financial liabilities	82,161	91,856	107,239
Cash flow interest rate risk			
Financial assets	5,814,480	1,096,355	553,178

Sensitivity analysis

The sensitivity analysis of interest rate risk was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of each assets and liability outstanding at the end of the period was outstanding for the whole period. Had interest rates been 50 basis points higher and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2022 and 2021 would have increased by \$7,268 thousand and \$691 thousand, respectively, which was mainly attributable to the Group's exposure to interest rate changes on its variable-rate bank deposits.

c) Other price risk

The Group's price risk of financial assets at FVTPL for the three months ended March 31, 2022 and 2021 were primarily from mutual funds and investments in equity instruments.

Sensitivity analysis

The sensitivity analysis below was determined based on the equity price at the end of the period. However, the mutual funds held by the Group

are money market funds, and the risk of price fluctuation is very low, so they are not included in the sensitivity analysis.

If equity prices had been 5% higher/lower, pre-tax profit for the three months ended March 31, 2022 and 2021 would have increased/decreased by \$7,177 thousand and \$4,300 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL (excluding mutual funds).

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the period, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to the failure of the counterparty to discharge an obligation approximates the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Besides this, ongoing credit evaluations are performed on the financial condition of counterparties of the trade receivables, so the Group's credit risk is limited. On the balance sheet date, the Group's maximum exposure to credit risk approximates the carrying amounts of the respective recognized financial assets as stated in the balance sheets.

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 "(b) Line of credit" as follows:

a) Liquidity and interest rate risk tables

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.

Mar.31, 2022

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 3 Months	3 Months to 1 Year	1-5 Years	More than 5 Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing		\$ 787,772	\$ 981,648	\$ -	\$ -
Lease liabilities	1.83	<u>12,784</u>	<u>29,204</u>	<u>41,676</u>	<u>-</u>
		<u>\$ 800,556</u>	<u>\$ 1,010,852</u>	<u>\$ 41,676</u>	<u>\$ -</u>

Dec.31, 2021

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 3 Months	3 Months to 1 Year	1-5 Years	More than 5 Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	-	\$ 761,075	\$ 31,340	\$ -	\$ -
Lease liabilities	1.83	<u>12,776</u>	<u>29,802</u>	<u>51,171</u>	<u>-</u>
		<u>\$ 773,851</u>	<u>\$ 61,142</u>	<u>\$ 51,171</u>	<u>\$ -</u>

Mar.31, 2021

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 3 Months	3 Months to 1 Year	1-5 Years	More than 5 Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	-	\$ 646,196	\$ 99,934	\$ -	\$ -
lease liabilities	1.82	<u>12,403</u>	<u>28,737</u>	<u>69,055</u>	<u>-</u>
		<u>\$ 658,599</u>	<u>\$ 128,671</u>	<u>\$ 69,055</u>	<u>\$ -</u>

b) Financing facilities

	<u>Mar.31, 2022</u>	<u>Dec.31, 2021</u>	<u>Mar.31, 2021</u>
Bank loan facilities			
Amount unused	<u>\$ 600,000</u>	<u>\$ 700,000</u>	<u>\$ 800,000</u>

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

27. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries which are related parties of the Company, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and its related parties are disclosed below.

a. Related parties and their relationships

<u>Related Party</u>	<u>Relationship</u>
Lyontek	Associate

- b. Operating revenue (For the Three Months Ended March 31, 2021: None)

<u>Related Party Category/Name</u>	<u>For the Three Months Ended March 31, 2022</u>
Associate	<u>\$ 2,707</u>

- c. trade receivables (March 31, 2021: None)

<u>Related Party Category/Name</u>	<u>Mar.31, 2022</u>	<u>Dec.31, 2021</u>
Associate	<u>\$ 2,909</u>	<u>\$ 1,836</u>

- d. Compensation of key management personnel

	<u>For the Three Months Ended March 31, 2022</u>	<u>For the Three Months Ended March 31, 2021</u>
Short-term employee benefits	\$ 17,029	\$ 15,252
Retirement benefit plans	90	108
Share-based payments	<u>853</u>	<u>980</u>
	<u>\$ 17,972</u>	<u>\$ 16,340</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.

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as tariff guarantee for imported raw material and bank borrowings:

	<u>Mar.31, 2022</u>	<u>Dec.31, 2021</u>	<u>Mar.31, 2021</u>
Pledged deposits (classified as financial assets at amortized cost)	<u>\$ 2,763</u>	<u>\$ 2,763</u>	<u>\$ 2,744</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of March 31, 2022, December 31, 2021 and March 31, 2021 were as follows:

- a. Significant commitments

The Group entered into long-term purchase agreement of materials with its supplier for the period from October 2021 to December 2023. The Group provided \$443,440 thousand as the deposit for the purchase. The relative minimum purchase quantity per month and the compensation for shortfall in non-compliance purchases are specified in the agreements. Management believes there is no material impact on the Group's finance and operation from the agreement.

30. SIGNIFICANT SUBSTANTIAL EVENTS

Toshiba Memory Corporation was renamed to Kioxia Corporation (hereinafter referred to as Kioxia) in October 2019 and is the holder of domestic patents No. 154717 and No.

I238412. Holding the belief that a number of Zentel Electronics' flash memory products infringes the aforesaid patents, it filed a lawsuit against the designer, manufacturer and sellers (including Zentel Electronics and other 3 companies, and the person in charge of some of the companies) of the said products.

According to the verdict of the first trial, Zentel Electronics and other defendants should pay NT\$99,822 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 (NT\$115,185 thousand in total); and abandoning the right of claim against Zentel Electronics. Besides, to avoid the plaintiff claiming a preliminary injunction prior to the judgement, the manufacturer already provided a negotiable certificate of deposit to the court as a guarantee.

Zentel Electronics and other defendants filed an appeal on July 31, 2017 with 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. On April 13, 2022, the Supreme Court denied the appeal, and the case was confirmed that Zentel Electronics and other defendants did not infringe the plaintiff's patent rights and were not required to pay damages and could continue to manufacture and sell the relevant products.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

In Thousands of New Taiwan Dollars and Foreign Currencies			
<u>Mar.31, 2022</u>	<u>Foreign Currencies</u>	<u>Exchange Rates</u>	<u>New Taiwan Dollars</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 240,590	28.625 (USD:NTD)	\$ 6,886,895
USD	829	6.3526 (USD:RMB)	23,724
JPY	14,800	0.2353 (JPY:NTD)	3,482
			<u>\$ 6,914,101</u>
<u>Non-monetary items</u>			
Investments in equity instruments at FVTPL			
RMB	28,462	4.506 (RMB:NTD)	<u>\$ 128,248</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			

	<u>Foreign Currencies</u>	<u>Exchange Rates</u>	<u>New Taiwan Dollars</u>
USD	21,436	28.625 (USD:NTD)	\$ 613,623
USD	393	6.3526 (USD:RMB)	11,241
JPY	14,800	0.2353 (JPY:NTD)	<u>3,482</u>
			<u>\$ 628,346</u>

Dec.31, 2021

	<u>Foreign Currencies</u>	<u>Exchange Rates</u>	<u>New Taiwan Dollars</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 47,011	27.680 (USD:NTD)	\$ 1,301,257
USD	1,186	6.3720 (USD:RMB)	<u>32,818</u>
			<u>\$ 1,334,075</u>

Non-monetary items

Investments in equity
instruments at FVTPL

RMB	28,462	4.344(RMB:NTD)	<u>\$ 123,638</u>
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Financial liabilities

Monetary items

USD	22,171	27.680 (USD:NTD)	\$ 613,699
USD	387	6.3720 (USD:RMB)	<u>10,710</u>
			<u>\$ 624,409</u>

Mar.31, 2021

	<u>Foreign Currencies</u>	<u>Exchange Rates</u>	<u>New Taiwan Dollars</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 55,576	28.535 (USD:NTD)	\$ 1,585,862
USD	1,113	6.5713 (USD:RMB)	<u>31,747</u>
			<u>\$ 1,617,609</u>

Non-monetary items

Investments in equity
instruments at FVTPL

RMB	6,108	4.344(RMB:NTD)	<u>\$ 26,596</u>
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Financial liabilities

Monetary items

USD	14,805	28.535 (USD:NTD)	\$ 422,459
USD	1,726	6.5713 (USD:RMB)	<u>49,247</u>
			<u>\$ 471,706</u>

The significant realized and unrealized foreign exchange gains (losses) were as follows:

Foreign Currency	For the Three Months Ended March 31, 2022		For the Three Months Ended March 31, 2021	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	27.994 (USD:NTD)	\$ 208,088	28.366 (USD:NTD)	\$ 872
USD	6.3536 (USD:RMB)	(98)	6.4813 (USD:RMB)	(294)
JPY	0.2410 (JPY:NTD)	561	0.2678 (JPY:NTD)	1,004
RMB	4.406(RMB:NTD)	(8)	-	-
EUR	31.500 (EUR:NTD)	(13)	34.200 (EUR:NTD)	6
		<u>\$ 208,530</u>		<u>\$ 1,588</u>

32. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and b. Information on investees:
- 1) Financing provided to others: None.
 - 2) Endorsements/guarantees provided: None.
 - 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Table 1.
 - 4) Marketable securities acquired or 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 at costs of at least NT\$300 million or 20% of the paid-in capital: None.
 - 6) Disposal of individual real estate 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 amounting to at least NT\$100 million or 20% of the paid-in capital: Table 2.
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3.
 - 9) Trading in derivative instruments: None.
 - 10) Other: Intercompany relationships and significant intercompany transactions: Table 4.
 - 11) Information of investees: Table 5.
- b. Information on investments in mainland China:
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 6.
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their

prices, payment terms, and unrealized gains or losses:

- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 4.
 - c) The amount of property transactions and the amount of the resultant gains or losses: None.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds: None.
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: Table 4.
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 7.

33. SEGMENT INFORMATION

Information reported to the chief operating decision maker is for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

IoT business unit - mainly in sales of integrated circuit products

AI business unit - mainly in IP licensing

a. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

For the Three Months Ended March 31, 2022

	<u>IOT</u>	<u>AI</u>	<u>Total</u>
Segment revenue	\$ 1,328,710	\$ 216,020	\$ 1,544,730
Segment costs	(736,101)	(87,366)	(823,467)
Segment income	<u>\$ 592,609</u>	<u>\$ 128,654</u>	721,263
Operating expenses			(186,303)
Profit from operations			534,960
Profit from non-operations			217,598
Profit before tax			<u>\$ 752,558</u>

For the Three Months Ended March 31, 2021

	<u>IOT</u>	<u>AI</u>	<u>Total</u>
Segment revenue	\$ 1,141,761	\$ 85,444	\$ 1,227,205
Segment costs	(685,896)	(51)	(685,947)
Segment income	<u>\$ 455,865</u>	<u>\$ 85,393</u>	541,258
Operating expenses			(147,784)
Profit from operations			\$ 393,474
Profit from non-operations			26,970
Profit before tax			<u>\$ 420,444</u>

b. Revenue from major products and service

Refer to Note 20.

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES
MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES)
MARCH 31, 2022

Table 1

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

Holding Company Name	Holding Company Name	Holding Company Name	Financial Statement Account	March 31, 2022				Note
				Shares or Units	Shares or Units	Shares or Units	Shares or Units	
AP Memory Technology Corporation	Equity investments in listed (OTC) companies							
	Powerchip Semiconductor Manufacturing Corp.	—	Financial assets at FVTPL - non-current	\$ 168,560	\$ 8,934	0.005%	\$ 8,934	
	Unlisted shares							
	Haining Changmeng Tachnology Partnership Enterprise (Limited Partnership)	—	Financial assets at FVTPL - non-current	-	128,248	24.64%	128,248	
	GeneASIC Technologies Corporation	—	Financial assets at FVTPL - non-current	500,000	6,350	14.46%	6,350	

Note: Refer to Tables 5 and 6 for information about subsidiaries and associates.

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
For the Three Months Ended March 31, 2022

Table 2

In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Company Name	Company Name	Company Name	Transaction Details				Transaction Details		Transaction Details		Note
			Purchase (Sale)	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Limited Co.	Sub-subsiary	Sale	(\$ 397,530)	(25.73%)	Net 30 days after monthly closing	\$ -	—	\$ 407,780	51.05%	Note 2

Note 1: The transaction between the Company and AP Memory Technology (Hong Kong) Limited Co. is based on the price and terms agreed by both parties.

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

Note 3: Paid-in capital refers to the parent company's paid-in capital. If the issuer's stock has no par value or the par value per share is not NT\$10, the transaction amount of 20% of the paid-in capital is calculated based on 10% of the equity attributable to the owners of the parent company on the balance sheet.

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
MARCH 31, 2022

Table 3

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

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Amount Received in Subsequent Period
					Amount	Action Taken		
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Limited Co.	Sub-subsidiary	\$ 407,780	6.29	\$ 284,633	-	\$ 284,633	\$ -

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

Note 2: Paid-in capital refers to the parent company's paid-in capital. If the issuer's stock has no par value or the par value per share is not NT\$10, the transaction amount of 20% of the paid-in capital is calculated based on 10% of the equity attributable to the owners of the parent company on the balance sheet.

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
For the Three Months Ended March 31, 2022

Table 4

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

Number (Note 1)	Company Name	Counterparty	Flow of Transaction (Note 2)	Transaction Details			Percentage of Transaction Amount to Consolidated Operating Revenue or Total Assets (%) (Note 3)
				Account	Amount (Note 4)	Transaction Terms	
0	AP Memory Technology Corporation	AP Memory Corp, USA	(1)	Research and development expenses	\$14,724	Note 5	0.95%
0	AP Memory Technology Corporation	AP Memory Corp, USA	(1)	Other payables	14,313	Note 5	0.12%
0	AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	(1)	Operating revenue	28,684	Note 5	1.86%
0	AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	(1)	Trade receivables	11,241	Note 5	0.09%
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Limited Co.	(1)	Operating revenue	397,530	Note 5	25.73%
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Limited Co.	(1)	Trade receivables	407,780	Note 5	3.36%
1	AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Limited Co.	(3)	Service revenue	18,669	Note 5	1.21%
1	AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Limited Co.	(3)	Trade receivables	5,687	Note 5	0.05%

Note 1: No. 0 represents the parent company; other numbers represent subsidiaries.

Note 2: The directional flow of the transactions are represented by the following numerals:

No. 1 - from parent company to subsidiary.

No. 2 - from subsidiary to parent company.

No. 3 - between subsidiaries.

Note 3: The accounts in the consolidated balance sheets and those in the consolidated statements of comprehensive income were based on the Company's consolidated total assets and total gross sales, respectively.

Note 4: Intercompany balances and transactions were eliminated upon consolidation.

Note 5: For the intercompany transactions, prices and terms were based on mutual agreements.

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES
INFORMATION OF INVESTEES
For the Three Months Ended March 31, 2022

Table 5

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31			Net (Loss) Income of the Investee (Note 2)	Share of (Loss) Profit (Notes 2 and 3)	Note
				March 31, 2022	December 31, 2021	Number of Shares	Percent age of Owners hip (%)	Carrying Amount (Notes 1 and 3)			
AP Memory Technology Corporation	AP Memory Corp, USA	Suite 251,BG Plaza,3800 S.W. Cedar Hills Blvd, Beaverton OR. 97005, USA	IC research and development services	\$ 60,521 (USD 2,000,000)	\$ 60,521 (USD 2,000,000)	2,000,000	100%	\$ 28,906	(\$ 6,524) (USD (233,037))	(\$ 6,524)	Subsidiary
	Zentel Electronics Corp.	10F-1, No. 1, Taiyuan 1st St., Zhubei City, Hsinchu County	IC research, development and sales	306,798	306,798	100,000	100%	75,812	29	29	Subsidiary
	Lyontek Inc.	No. 17, Industry East 2nd Road, East District, Hsinchu City	IC research, development and sales	75,060	75,060	3,600,000	30%	91,592	14,896	4,469	Associate
	APware Technology Corp.	Suite 102, Cannon Place, North Sound Rd., George Town, Grand Cayman, Cayman Islands	IC research, development and sales	-	-	-	100%	-	-	-	Subsidiary (Note 4)
AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited	Rm.19C,Lockhart Ctr.,301-307 Lockhart Rd.,Wan Chai, Hong Kong.	Sale of ICs	275 (USD 10,000)	275 (USD 10,000)	10,000	100%	7,716	2,108 (USD 75,290)	\$ 2,108	Subsidiary (Note 5)

Note 1: Translation was based on the exchange rate at March 31, 2022.

Note 2: Translation was based on the average exchange rate for the three months ended March 31, 2022.

Note 3: Apart from Lyontek Inc., the amounts were recognized based on the reviewed financial statements for the same period.

Note 4: In order to meet the future operational plan, the Group established a subsidiary, APware Technology Corp. in the Cayman Islands in October 2021, but has not yet made any actual capital investment.

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

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
For the Three Months Ended March 31, 2022

Table 6

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

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2022 (Note 1)	Net Income (Loss) of the Investee (Note 3)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 3 and 5)	Carrying Amount as of March 31, 2022 (Notes 4 and 5)	Accumulated Inward Remittance of Earnings as of March 31, 2022
					Outward	Inward						
AP Memory Technology (Hangzhou) Limited Co	IC research, development and sales	\$ 58,009 (USD2,000,000)	Note 2	\$ 58,009 (USD2,000,000)	\$	\$ -	\$ 58,009 (USD2,000,000)	(\$ 6,669) (RMB(1,513,578))	100%	(\$ 6,669)	\$ 131,476	\$ -

Accumulated Investments in Mainland China as of March 31, 2022	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 58,009 (USD 2,000,000)	\$ 58,009 (USD 2,000,000)	\$ 5,728,023 (Note 6)

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

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

Note 3: Translation was based on the exchange rate for the three months ended March 31, 2022.

Note 4: Translation was based on the exchange rate at March 31, 2022.

Note 5: The amount was recognized based on the reviewed financial statements prepared for the same period.

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

Note 7: Intercompany balances and transactions were eliminated upon consolidation.

AP MEMORY TECHNOLOGY CORPORATION
INFORMATION OF MAJOR SHAREHOLDERS
MARCH 31, 2022

Table 7

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Shanyi Investment Co., Ltd.	26,456,668	16.33%

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of differences in the basis of preparation.

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 the Market Observation Post System website of the TWS