

AP Memory Technology Corporation and Subsidiaries

Consolidated Financial Statements for the
Nine Months Ended September 30, 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 September 30, 2022 and 2021, the related consolidated statements of comprehensive income for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, the consolidated statements of changes in equity and cash flows for the nine months then ended, 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 September 30, 2022 and 2021, its consolidated financial performance for the three months ended September 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 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

October 28, 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
SEPTEMBER 30, 2022, DECEMBER 31, 2021 AND SEPTEMBER 30, 2021

(In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2022 (Reviewed)		December 31, 2021 (Audited)		September 30, 2021 (Reviewed)	
	AMOUNT	%	AMOUNT	%	AMOUNT	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 7,694,958	66	\$ 2,517,447	40	\$ 2,446,151	44
Financial assets at amortized cost – current (Note 8 and 28)	2,763	-	2,763	-	2,745	-
Note receivable (Note 9 and 20)	-	-	-	-	46,904	1
Trade receivables (Note 5, 9, 20 and 27)	988,992	8	854,080	14	698,177	12
Other receivables (Note 9)	231,606	2	38,106	1	198,290	3
Current income tax assets (Note 4)	80	-	-	-	-	-
Inventories (Note 5 and 10)	1,670,161	14	1,696,621	27	1,352,127	24
Other current assets (Note 16)	19,841	-	15,516	-	213,377	4
Total current assets	<u>10,608,401</u>	<u>90</u>	<u>5,124,533</u>	<u>82</u>	<u>4,957,771</u>	<u>88</u>
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Note 7 and 26)	169,456	2	141,989	2	114,583	2
Financial assets at amortized cost - non-current (Note 8)	6,708	-	5,789	-	5,801	-
Investments accounted for using the equity method (Note 12)	119,222	1	87,123	1	81,942	2
Property, plant and equipment (Note 13)	76,104	1	81,399	1	81,186	1
Right-of-use assets (Note 14)	85,474	1	98,908	2	97,269	2
Intangible assets (Note 15)	10,057	-	16,978	-	16,947	-
Deferred tax assets (Note 4)	33,317	-	25,486	1	27,924	1
Prepayment for equipment	-	-	-	-	2,426	-
Refundable deposits (Note 17 and 29)	464,406	4	464,971	7	21,455	-
Other non-current assets (Note 16)	160,932	1	231,467	4	201,933	4
Total non-current assets	<u>1,125,676</u>	<u>10</u>	<u>1,154,110</u>	<u>18</u>	<u>651,466</u>	<u>12</u>
TOTAL	<u>\$ 11,734,077</u>	<u>100</u>	<u>\$ 6,278,643</u>	<u>100</u>	<u>\$ 5,609,237</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Contract liabilities (Note 20)	\$ 113,255	1	\$ 173,602	3	\$ 259,101	4
Accounts payable	123,779	1	600,046	9	491,180	9
Other payables (Note 17)	185,428	2	192,369	3	234,474	4
Current tax liabilities (Note 4)	289,694	2	388,279	6	265,549	5
Lease liabilities - current (Note 14)	44,093	-	41,286	1	37,122	1
Other current liabilities (Note 17)	4,037	-	4,258	-	2,687	-
Total current liabilities	<u>760,286</u>	<u>6</u>	<u>1,399,840</u>	<u>22</u>	<u>1,290,113</u>	<u>23</u>
NON-CURRENT LIABILITIES						
Deferred tax liabilities (Note 4)	40,043	1	19,278	1	13,971	-
Lease liabilities – non-current (Note 14)	26,541	-	50,570	1	54,739	1
Guarantee deposits	14,000	-	14,000	-	12,000	-
Total non-current liabilities	<u>80,584</u>	<u>1</u>	<u>83,848</u>	<u>2</u>	<u>80,710</u>	<u>1</u>
Total liabilities	<u>840,870</u>	<u>7</u>	<u>1,483,688</u>	<u>24</u>	<u>1,370,823</u>	<u>24</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 19 and 24)						
Share capital						
Ordinary shares	807,456	7	744,136	12	743,406	13
Advance receipts for ordinary shares	-	-	2,861	-	-	-
Total share capital	<u>807,456</u>	<u>7</u>	<u>746,997</u>	<u>12</u>	<u>743,406</u>	<u>13</u>
Capital surplus	6,169,508	53	1,054,788	17	1,045,220	19
Retained earnings						
Legal reserve	566,709	5	364,163	5	364,163	7
Unappropriated earnings	3,332,159	28	2,631,525	42	2,088,608	37
Total retained earnings	<u>3,898,868</u>	<u>33</u>	<u>2,995,688</u>	<u>47</u>	<u>2,452,771</u>	<u>44</u>
Other equity	17,375	-	8,728	-	8,263	-
Treasury shares	-	-	(11,246)	-	(11,246)	-
Total equity	<u>10,893,207</u>	<u>93</u>	<u>4,794,955</u>	<u>76</u>	<u>4,238,414</u>	<u>76</u>
TOTAL	<u>\$ 11,734,077</u>	<u>100</u>	<u>\$ 6,278,643</u>	<u>100</u>	<u>\$ 5,609,237</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 SEPTEMBER 30, 2022 AND 2021 & FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Reviewed, Not Audited)

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

	For the Three Months Ended September 30, 2022		For the Three Months Ended September 30, 2021		For the Nine Months Ended September 30, 2022		For the Nine Months Ended September 30, 2021	
	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
OPERATING REVENUE, NET (Note 20 and 27)	\$ 1,186,304	100	\$ 2,019,004	100	\$ 4,269,682	100	\$ 4,879,715	100
OPERATING COSTS (Note 10 and 21)	<u>669,088</u>	<u>56</u>	<u>1,079,862</u>	<u>53</u>	<u>2,400,981</u>	<u>56</u>	<u>2,647,356</u>	<u>54</u>
GROSS PROFIT	<u>517,216</u>	<u>44</u>	<u>939,142</u>	<u>47</u>	<u>1,868,701</u>	<u>44</u>	<u>2,232,359</u>	<u>46</u>
OPERATING EXPENSES (Note 9 and 21)								
Selling and marketing expenses	33,328	3	34,833	2	106,440	3	84,620	2
General and administrative expenses	36,806	3	50,355	2	106,179	2	134,554	3
Research and development expenses	120,818	10	100,032	5	337,368	8	267,938	5
Reversal of expected credit loss	(280)	-	(84)	-	(529)	-	(857)	-
Total operating expenses	<u>190,672</u>	<u>16</u>	<u>185,136</u>	<u>9</u>	<u>549,458</u>	<u>13</u>	<u>486,255</u>	<u>10</u>
PROFIT FROM OPERATIONS	<u>326,544</u>	<u>28</u>	<u>754,006</u>	<u>38</u>	<u>1,319,243</u>	<u>31</u>	<u>1,746,104</u>	<u>36</u>
NON-OPERATING INCOME AND EXPENSES								
Other income	1,389	-	1,059	-	4,549	-	8,679	-
Share of profit of associates (Note 12)	2,979	-	2,591	-	11,134	-	7,437	-
Interest income	29,425	2	1,001	-	44,303	1	3,125	-
Disposal of interests in property, plant and equipment	54	-	-	-	54	-	-	-
Gains (losses) on financial assets at fair value through profit or loss (Note 26)	(753)	-	75,608	4	27,467	1	92,665	2
Interest expense	(464)	-	(443)	-	(1,232)	-	(1,532)	-
Foreign exchange gain (loss), net (Note 21 and 31)	<u>506,876</u>	<u>43</u>	<u>7,344</u>	<u>-</u>	<u>961,075</u>	<u>22</u>	<u>(15,646)</u>	<u>-</u>
Total non-operating income and expenses	<u>539,506</u>	<u>45</u>	<u>87,160</u>	<u>4</u>	<u>1,047,350</u>	<u>24</u>	<u>94,728</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	866,050	73	841,166	42	2,366,593	55	1,840,832	38
INCOME TAX EXPENSE (Note 4 and 22)	(<u>168,062</u>)	(<u>14</u>)	(<u>165,253</u>)	(<u>8</u>)	(<u>489,465</u>)	(<u>11</u>)	(<u>358,292</u>)	(<u>8</u>)
NET PROFIT FOR THE PERIOD	<u>697,988</u>	<u>59</u>	<u>675,913</u>	<u>34</u>	<u>1,877,128</u>	<u>44</u>	<u>1,482,540</u>	<u>30</u>
OTHER COMPREHENSIVE INCOME (Note 19)								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of the financial statements of foreign operations	<u>2,896</u>	<u>-</u>	<u>372</u>	<u>-</u>	<u>8,647</u>	<u>-</u>	<u>(1,779)</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>2,896</u>	<u>-</u>	<u>372</u>	<u>-</u>	<u>8,647</u>	<u>-</u>	<u>(1,779)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 700,884</u>	<u>59</u>	<u>\$ 676,285</u>	<u>34</u>	<u>\$ 1,885,775</u>	<u>44</u>	<u>\$ 1,480,761</u>	<u>30</u>
EARNINGS PER SHARE (Note 23)								
Basic	<u>\$ 4.32</u>		<u>\$ 4.56</u>		<u>\$ 11.71</u>		<u>\$ 10.01</u>	
Diluted	<u>\$ 4.28</u>		<u>\$ 4.49</u>		<u>\$ 11.58</u>		<u>\$ 9.85</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 NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars)

	Ordinary Shares (Note 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 (Note 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
Appropriation of the 2020 earnings											
Legal reserve	-	-	-	-	81,171	-	(81,171)	-	-	-	-
Special reserve	-	-	-	-	-	(4,576)	4,576	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(370,373)	(370,373)	-	-	(370,373)
Recognition of employee share options by the Company	-	-	-	19,347	-	-	-	-	-	-	19,347
Net profit for the nine months ended September 30, 2021	-	-	-	-	-	-	1,482,540	1,482,540	-	-	1,482,540
Other comprehensive income (loss) for the nine months ended September 30, 2021, net of income tax	-	-	-	-	-	-	-	-	(1,779)	-	(1,779)
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	-	-	1,482,540	1,482,540	(1,779)	-	1,480,761
Issuance of ordinary shares under employee share options	1,090	(532)	558	5,151	-	-	-	-	-	-	5,709
BALANCE AT SEPTEMBER 30, 2021	\$ 743,406	\$ -	\$ 743,406	\$ 1,045,220	\$ 364,163	\$ -	\$ 2,088,608	\$ 2,452,771	\$ 8,263	(\$ 11,246)	\$ 4,238,414
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											
Legal reserve	-	-	-	-	202,546	-	(202,546)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(968,275)	(968,275)	-	-	(968,275)
Recognition of employee share options by the Company	-	-	-	19,108	-	-	-	-	-	-	19,108
Net profit for the nine months ended September 30, 2022	-	-	-	-	-	-	1,877,128	1,877,128	-	-	1,877,128
Other comprehensive income (loss) for the nine months ended September 30, 2022, net of income tax	-	-	-	-	-	-	-	-	8,647	-	8,647
Total comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	-	-	1,877,128	1,877,128	8,647	-	1,885,775
Seasoned equity offering	64,000	-	64,000	5,087,283	-	-	-	-	-	-	5,151,283
Treasury stock retired	(2,580)	-	(2,580)	(2,993)	-	-	(5,673)	(5,673)	-	11,246	-
Issuance of ordinary shares under employee share options	1,900	(2,861)	(961)	11,322	-	-	-	-	-	-	10,361
BALANCE AT SEPTEMBER 30, 2022	\$ 807,456	\$ -	\$ 807,456	\$ 6,169,508	\$ 566,709	\$ -	\$ 3,332,159	\$ 3,898,868	\$ 17,375	\$ -	\$ 10,893,207

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 NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,366,593	\$ 1,840,832
Adjustments for:		
Depreciation expenses	43,888	34,240
Amortization expenses	11,466	19,841
Reversal of expected credit loss	(529)	(857)
Net gain on financial assets at fair value through profit or loss	(27,467)	(92,665)
Interest expense	1,232	1,532
Interest income	(44,303)	(3,125)
Dividend income	(322)	(503)
Compensation cost of employee share options	19,108	19,347
Share of profit of associates	(11,134)	(7,437)
Disposal and scrapping of interests in property, plant and equipment	(54)	-
Write-down of inventories	34,283	19,335
Unrealized (gain) loss on foreign currency exchange	(60,517)	7,699
Changes in operating assets and liabilities		
Financial assets mandatorily measured at fair value through profit or loss	-	976,634
Notes receivable and trade receivables	(92,339)	(141,332)
Other receivables	(170,414)	194,795
Inventories	(7,823)	(746,407)
Other assets	66,210	(65,735)
Refundable deposits	565	-
Contract liabilities	(60,347)	-
Accounts payable	(480,145)	252,913
Other payables	(7,368)	(98,477)
Other current liabilities	(221)	259,413
Cash generated from operations	1,580,362	2,470,043

	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Interest received	\$ 44,163	\$ 3,177
Dividends received	322	503
Interest paid	(1,232)	(1,684)
Income tax paid	(575,196)	(140,282)
Net cash generated from operating activities	<u>1,048,419</u>	<u>2,331,757</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at amortized cost	-	57,470
Acquisition of long-term equity investments accounted for using the equity method	(33,771)	-
Acquisition of property, plant and equipment	(15,345)	(82,379)
Disposal of property, plant and equipment	548	-
Increase in refundable deposits	-	(12,908)
Payments for intangible assets	(3,563)	(2,091)
Increase in prepayment for equipment	-	(2,426)
Dividends received from associates	<u>11,160</u>	<u>5,400</u>
Net cash used in investing activities	<u>(40,971)</u>	<u>(36,934)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	-	(130,613)
Increase in guarantee deposits	-	12,000
Repayment of the principal portion of lease liabilities	(32,534)	(27,035)
Payment of cash dividends	(968,275)	(370,373)
Seasoned equity offering	5,151,283	-
Proceeds from exercise of employee share options	<u>10,361</u>	<u>5,709</u>
Net cash generated from (used) in financing activities	<u>4,160,835</u>	<u>(510,312)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>9,228</u>	<u>(1,327)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,177,511	1,783,184
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>\$ 7,694,958</u>	<u>\$ 2,446,151</u>

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

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Reviewed, Not Audited)

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

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. In January 2022, the Company will make an initial public offering of global depositary receipts (GDRs) by way of a capital raising issue of new shares and will be listed on the Bourse de Luxembourg.

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 October 28, 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. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
IAS 1- AMENDMENTS - ACCOUNTING POLICY DISCLOSURES	January 1, 2023 (Note 1)
IAS 8- AMENDMENTS - DEFINITION OF ACCOUNTING ESTIMATES	January 1, 2023 (Note 2)
IAS 12- AMENDMENTS - DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION	January 1, 2023 (Note 3)

Note 1: This amendment applies to annual reporting periods beginning after January 1, 2023.

Note 2: This amendment applies to changes in accounting estimates and changes in accounting policies for annual reporting periods beginning after January 1, 2023.

Note 3: This amendment applies to transactions occurring after January 1, 2022.

As of the date of adoption of this consolidated financial statements, the Group is still evaluating the impact of the amendments to other standards and interpretations on the financial position and financial performance, which will be disclosed when the evaluation is completed.

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	To be determined by IASB
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Initial application of IFRS 17 and IFRS 9 - Comparative Information (Amendment to IFRS 17)	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023

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: Sellers and lessees should apply the amendments to IFRS 16 retroactively to sale-and-leaseback transactions entered into after the date of initial application of IFRS 16.

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

a. 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.

b. Basis of Preparation

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

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

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

c. 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). 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.

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

d. 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

a. 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 the impairment assessment 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 the 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.

b. Impairment of Inventories

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

6. CASH AND CASH EQUIVALENTS

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand	\$ 57	\$ 56	\$ 56
Checking accounts and demand deposits	1,388,901	1,096,391	1,345,095
Cash equivalents (investments with original maturities of 3 months or less)			
Time deposits	<u>6,306,000</u>	<u>1,421,000</u>	<u>1,101,000</u>
	<u>\$ 7,694,958</u>	<u>\$ 2,517,447</u>	<u>\$ 2,446,151</u>

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

	September 30, 2022	December 31, 2021	September 30, 2021
Deposits	0.001%~1.4375%	0.001%~1.4375%	0.001%~1.4375%
Time deposits	0.725%~3.5%	0.05%~0.4%	0.30%~0.34%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Financial assets - non-current</u>			
Non-derivative financial assets			
Overseas unlisted			
Haining Changmeng Technology Partnership Enterprise (Limited Partnership) (a)	\$ 158,302	\$ 123,638	\$ 97,334
Domestic listed			
Powerchip Semiconductor Manufacturing Corp. (b)	4,804	12,001	-
Domestic quoted			
Powerchip Semiconductor Manufacturing Corp. (b)	-	-	10,899
Domestic unlisted			
GeneASIC Technologies Corporation (c)	<u>6,350</u>	<u>6,350</u>	<u>6,350</u>
	<u>\$ 169,456</u>	<u>\$ 141,989</u>	<u>\$ 114,583</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 September 30, 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 September 30, 2022, the Group held 0.004% 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. As of September 30, 2022, the Group held 14.46% of shares issued by GeneASIC.

8. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Current</u>			
Time deposits with original maturities of more than 3 months	\$ <u>2,763</u>	\$ <u>2,763</u>	\$ <u>2,745</u>
<u>Non-current</u>			
Time deposits with original maturities of more than 1 year	\$ <u>6,708</u>	\$ <u>5,789</u>	\$ <u>5,801</u>

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

9. NOTES RECEIVABLE, TRADE RECEIVABLE AND OTHER RECEIVABLES

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Note receivable (a)</u>			
At amortized cost			
Gross carrying amount	\$ <u>-</u>	\$ <u>-</u>	\$ <u>46,904</u>
<u>Trade receivables (a)</u>			
At amortized cost			
Gross carrying amount	\$ 989,947	\$ 855,564	\$ 699,406
Less: Allowance for impairment loss	(<u>955</u>)	(<u>1,484</u>)	(<u>1,229</u>)
	\$ <u>988,992</u>	\$ <u>854,080</u>	\$ <u>698,177</u>

Other receivables

Receivables from purchase discounts and allowances	\$ 172,563	\$ -	\$ -
Wafer purchase agent receivables (Note 20)	25,192	-	-
Tax refunds receivables	25,989	34,257	63,788
Loans receivable (b)			
Fixed interest rate	-	-	130,180
Others	<u>7,862</u>	<u>3,849</u>	<u>4,322</u>
	<u>\$ 231,606</u>	<u>\$ 38,106</u>	<u>\$ 198,290</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. The Group distinguishes its customers based on the history of credit losses and sets the expected credit loss rate based on the number of days past due on notes receivable and trade receivables for each customer group.

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:

September 30, 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	\$ 507,975	\$ 255,687	\$ 163,239	\$ 62,097	\$ -	\$ -	\$ 949	\$ 989,947
Allowance for impairment loss (lifetime ECLs)	-	-	(2)	(4)	-	-	(949)	(955)
Amortized cost	<u>\$ 507,975</u>	<u>\$ 255,687</u>	<u>\$ 163,237</u>	<u>\$ 62,093</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 988,992</u>

December 31, 2021

	Not Past Due	Due in 1-30 Days	Due in 31-60 Days	Due in 61-90 Days	Due in 91-180 Days	Due in 181-360 Days	Due in More than 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>

September 30, 2021

	Not Past Due	Due in 1-30 Days	Due in 31-60 Days	Due in 61-90 Days	Due in 91-180 Days	Due in 181-360 Days	Due in More than 360 Days	Total
Gross carrying amount	\$ 589,622	\$ 150,452	\$ 5,404	\$ -	\$ -	\$ -	\$ 832	\$ 746,310
Allowance for impairment loss (lifetime ECLs)	(107)	(162)	(128)	-	-	-	(832)	(1,229)
Amortized cost	<u>\$ 589,515</u>	<u>\$ 150,290</u>	<u>\$ 5,276</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 745,081</u>

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

	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Balance at January 1	\$ 1,484	\$ 2,086
Net remeasurement of loss allowance	(529)	(857)
Balance at September 30	<u>\$ 955</u>	<u>\$ 1,229</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 (September 30, 2022 and December 31, 2021: None):

	<u>September 30, 2021</u>
Fixed rate	
Less than 1 year	<u>\$ 130,180</u>

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

10. INVENTORIES

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Finished goods	\$ 403,675	\$ 212,800	\$ 309,678
Work-in-process progress	252,299	659,230	174,964
Raw materials	<u>1,014,187</u>	<u>824,591</u>	<u>867,485</u>
	<u>\$ 1,670,161</u>	<u>\$ 1,696,621</u>	<u>\$ 1,352,127</u>

The nature of operating costs is as follows:

	<u>For the Three Months Ended September 30, 2022</u>	<u>For the Three Months Ended September 30, 2021</u>	<u>For the Nine Months Ended September 30, 2022</u>	<u>For the Nine Months Ended September 30, 2021</u>
Cost of inventories sold	\$ 648,261	\$ 1,057,911	\$ 2,366,698	\$ 2,628,021
Write-down of inventories	<u>20,827</u>	<u>21,951</u>	<u>34,283</u>	<u>19,335</u>
	<u>\$ 669,088</u>	<u>\$ 1,079,862</u>	<u>\$ 2,400,981</u>	<u>\$ 2,647,356</u>

11. SUBSIDIARIES

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
			September 30, 2022	December 31, 2021	September 30, 2021	
AP Memory Technology Corporation ("AP Memory")	AP Memory Corp, USA ("AP-USA")	IC research and development services	100%	100%	100%	(1)
	Zentel Electronics Corporation ("Zentel Electronics")	IC research, development and sales	100%	100%	100%	(2)
	AP Memory Technology (Hangzhou) Limited Co. ("AP Hangzhou")	IC research, development and sales	100%	100%	100%	(3)
	APware Technology Corp. ("APware")	IC research, development and sales	100%	100%	-	(4)
AP Hangzhou	AP Memory Technology (Hong Kong) Co. Limited ("AP Hong Kong")	IC sales	100%	100%	100%	(5)

- (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 October 28, 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. As of July 29, 2022, the Company's paid-in capital was \$1,000 thousand. In consideration of the Group's overall operation planning and resource allocation, the dissolution date of Zentel Electronics is June 30, 2022, and the liquidation procedures will commence on July 1, 2022. As of October 28, 2022, the relevant procedures are still in progress.
- (3) Established in Hangzhou in June 2018, AP Hangzhou mainly engages in the research, development and sale of ICs. In 2021, the Company contributed capital of US\$1,000 thousand. As of October 28, 2022, AP Hangzhou's paid-in capital amounted to US\$2,000 thousand.
- (4) In line with the growth of the scale of the investee company and future operation planning, the Company established APware in the British Cayman Islands on October 15, 2021 by resolution of the board of directors. APware was established in October 2021 and is principally engaged in the design, development and sales of

integrated circuits. As of October 28, 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 October 28, 2022, AP Hong Kong's paid-in capital amounted to US\$10 thousand.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Investments in associates</u>			
Associates that are not individually insignificant material			
Lyontek Inc. ("Lyontek")			
(1)	\$ 88,590	\$ 87,123	\$ 81,942
ONECENT TECHNOLOGY LTD. ("ONECENT")			
(2)	<u>30,632</u>	<u>-</u>	<u>-</u>
	<u>\$ 119,222</u>	<u>\$ 87,123</u>	<u>\$ 81,942</u>

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

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
The Group's share of:				
Net profit for the period	<u>\$ 2,979</u>	<u>\$ 2,591</u>	<u>\$ 11,134</u>	<u>\$ 7,437</u>
Total comprehensive income	<u>\$ 2,979</u>	<u>\$ 2,591</u>	<u>\$ 11,134</u>	<u>\$ 7,437</u>

- (1) The Group invested acquired 3,600 thousand shares of Lyontek at the price of NT\$75,060 thousand in October 2016, representing a 30% shareholding. The goodwill of \$2,610 thousand arose from the investment in Lyontek is recognized as the cost of investments in associates.
- (2) The Consolidated Company invested \$238 thousand and \$33,533 thousand in May 2022 and August 2022, respectively, and accumulated 3,600 thousand shares of ONECENT's common stock, representing a 48% shareholding. The management of the Consolidated Company considered that the Consolidated Company

had only a significant influence on ONECENT and therefore classified it as a related party of the Consolidated Company. The goodwill arising from the acquisition of ONECENT was included in the cost related to the investment in the associates, and its original accounting treatment was only provisional at the balance sheet date. As of the date of adoption of this consolidated report, the required market valuation and other calculations had not been completed, and therefore only the best estimates of the management of the Consolidated Company were used to provisionally determine the probable value.

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 which have not been reviewed.

13. PROPERTY, PLANT AND EQUIPMENT

	<u>Machinery and Equipment</u>	<u>Computer and Communications Equipment</u>	<u>Office Equipment</u>	<u>Leasehold Improvement</u>	<u>Total</u>
<u>Cost</u>					
Balance at January 1, 2022	\$ 146,711	\$ 11,294	\$ 4,259	\$ 16,364	\$ 178,628
Additions	12,639	874	657	-	14,170
Disposals	(539)	(178)	-	-	(717)
Effect of foreign currency exchange differences	<u>39</u>	<u>137</u>	<u>69</u>	<u>40</u>	<u>285</u>
Balance at September 30, 2022	<u>158,850</u>	<u>12,127</u>	<u>4,985</u>	<u>16,404</u>	<u>192,366</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2022	77,546	8,361	3,971	7,351	97,229
Depreciation expenses	14,872	1,013	304	2,824	19,013
Disposals	(45)	(178)	-	-	(223)
Effect of foreign currency exchange differences	<u>23</u>	<u>117</u>	<u>63</u>	<u>40</u>	<u>243</u>
Balance at September 30, 2022	<u>92,396</u>	<u>9,313</u>	<u>4,338</u>	<u>10,215</u>	<u>116,262</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 September 30, 2022	<u>\$ 66,454</u>	<u>\$ 2,814</u>	<u>\$ 647</u>	<u>\$ 6,189</u>	<u>\$ 76,104</u>
<u>Cost</u>					
Balance at January 1, 2021	\$ 103,762	\$ 7,938	\$ 5,632	\$ 6,718	\$ 124,050
Additions	77,101	2,462	83	2,733	82,379
Disposals	(33,713)	-	(1,871)	-	(35,584)
Reclassification	(432)	-	432	1,869	1,869

Effect of foreign currency exchange differences	(19)	(22)	(34)	(22)	(97)
Balance at September 30, 2021	<u>146,699</u>	<u>10,378</u>	<u>4,242</u>	<u>11,298</u>	<u>172,617</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2021	99,030	6,723	5,129	5,159	116,041
Depreciation expenses	7,739	1,295	617	1,388	11,039
Disposals	(33,713)	-	(1,871)	-	(35,584)
Effect of foreign currency exchange differences	(6)	(17)	(24)	(18)	(65)
Balance at September 30, 2021	<u>73,050</u>	<u>8,001</u>	<u>3,851</u>	<u>6,529</u>	<u>91,431</u>
Carrying amount at December 31, 2020	<u>\$ 4,732</u>	<u>\$ 1,215</u>	<u>\$ 503</u>	<u>\$ 1,559</u>	<u>\$ 8,009</u>
Carrying amount at September 30, 2021	<u>\$ 73,649</u>	<u>\$ 2,377</u>	<u>\$ 391</u>	<u>\$ 4,769</u>	<u>\$ 81,186</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 improvement	3 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2022	December 31, 2021	September 30, 2021
Carrying amounts			
Buildings	\$ 18,239	\$ 16,024	\$ 9,168
Machinery and equipment	<u>67,235</u>	<u>82,884</u>	<u>88,101</u>
	<u>\$ 85,474</u>	<u>\$ 98,908</u>	<u>\$ 97,269</u>
	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022
Additions to the right-of-use assets			<u>\$ 11,206</u>
			<u>\$ 74,446</u>
Depreciation charge for right-of-use assets			
Buildings	\$ 3,064	\$ 2,975	\$ 9,226
Machinery and equipment	<u>5,216</u>	<u>5,217</u>	<u>15,649</u>
	<u>\$ 8,280</u>	<u>\$ 8,192</u>	<u>\$ 24,875</u>
			<u>\$ 23,201</u>

b. Lease liabilities

	September 30, 2022	December 31, 2021	September 30, 2021
Carrying amounts			
Current	<u>\$ 44,093</u>	<u>\$ 41,286</u>	<u>\$ 37,122</u>
Non-current	<u>\$ 26,541</u>	<u>\$ 50,570</u>	<u>\$ 54,739</u>

Range of discount rate for lease liabilities was as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Buildings	1.8%~4%	1.8%~2%	1.68%~2 %
Machinery and equipment	1.8%	1.8%	1.8%

c. Other lease information

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Expense relating to short-term leases	<u>\$ 1,106</u>	<u>\$ 1,020</u>	<u>\$ 3,175</u>	<u>\$ 2,178</u>
Total cash outflow for leases			<u>(\$ 36,898)</u>	<u>(\$ 30,579)</u>

The Group's leases of certain office 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	3,563
Effect of foreign currency exchange differences	<u>6,777</u>
Balance at September 30, 2022	<u>\$ 110,689</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2022	\$ 83,371
Amortization expenses	11,466
Effect of foreign currency exchange differences	<u>5,795</u>
Balance at September 30, 2022	<u>\$ 100,632</u>
Carrying amount at December 31, 2021	<u>\$ 16,978</u>

Carrying amount at September 30, 2022	<u>\$ 10,057</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 109,828
Additions	2,091
Disposals	(15,589)
Effect of foreign currency exchange differences	(1,011)
Balance at September 30, 2021	<u>\$ 95,319</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2021	\$ 74,725
Amortization expenses	19,841
Disposals	(15,589)
Effect of foreign currency exchange differences	(605)
Balance at September 30, 2021	<u>\$ 78,372</u>
Carrying amount at December 31, 2020	<u>\$ 35,103</u>
Carrying amount at September 30, 2021	<u>\$ 16,947</u>

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

Computer software 1 to 3 years

16. OTHER ASSETS

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Current</u>			
Refundable deposits	\$ -	\$ -	\$ 200,000
Offsets against business tax payable	5,714	6,415	6,063
Others	<u>14,127</u>	<u>9,101</u>	<u>7,314</u>
	<u>\$ 19,841</u>	<u>\$ 15,516</u>	<u>\$ 213,377</u>
<u>Non-current</u>			
Masks and probe cards	\$ 146,300	\$ 205,226	\$ 201,933
Prepayment of bonuses	<u>14,632</u>	<u>26,241</u>	<u>-</u>
	<u>\$ 160,932</u>	<u>\$ 231,467</u>	<u>\$ 201,933</u>

17. OTHER LIABILITIES

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Current</u>			
Other payables			
Payable for compensation of employees	\$ 99,969	\$ 106,662	\$ 90,522
Payable for salaries or bonuses	43,899	51,630	57,243
Payable for masks and probe cards	12,890	625	7,016
Payable for compensated absences	8,548	6,426	7,330
Payable for remuneration of directors	5,400	8,000	5,400
Payable for labor and national health insurances	2,542	2,316	2,203
Payable for labor costs	2,460	2,081	1,818
Payable for pension	2,306	2,095	1,914
Payables for purchases of equipment	130	1,305	3,123
Payable for the customer complaint compensation (1)	-	-	41,471
Others	<u>7,284</u>	<u>11,229</u>	<u>16,434</u>
	<u>\$ 185,428</u>	<u>\$ 192,369</u>	<u>\$ 234,474</u>
Other liabilities			
Receipts under custody	\$ 2,983	\$ 2,557	\$ 2,685
Others	<u>1,054</u>	<u>1,701</u>	<u>2</u>
	<u>\$ 4,037</u>	<u>\$ 4,258</u>	<u>\$ 2,687</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

	September 30, 2022	December 31, 2021	September 30, 2021
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>161,491</u>	<u>148,827</u>	<u>74,340</u>
Shares issued	<u>\$ 807,456</u>	<u>\$ 744,136</u>	<u>\$ 743,406</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 changes in the Company's capital stock were due to the issuance of global depositary receipts, the exercise of stock options by employees and the cancellation of treasury stock.

2. Issuance of global depositary receipts

On December 6, 2021, the Company resolved at the extraordinary shareholders' meeting to issue additional common shares by seasoned equity offering for global depositary receipts (GDRs), and on January 25, 2022, the Company issued 6,400 thousand units of GDRs on the Bourse de Luxembourg for US\$29.65 per unit, with each unit carrying two shares of the Company's common stock, for a total of 12,800 thousand shares, raising total funds of US\$189,760 thousand. The aforementioned GDRs were fully redeemed in February 2022.

b. Capital surplus

	September 30, 2022	December 31, 2021	September 30, 2021
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Issuance of ordinary shares	\$ 5,729,528	\$ 633,916	\$ 630,466
Exercised and invalid employee share options	188,081	184,275	182,990
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>6,118,713</u>	<u>1,019,295</u>	<u>1,014,560</u>
<u>May be used to offset a deficit only (2)</u>			
Changes in percentage of ownership interests in subsidiaries	401	401	401

Not be used for any
purpose

Employee share options	<u>50,394</u>	<u>35,092</u>	<u>30,259</u>
	<u>\$ 6,169,508</u>	<u>\$ 1,054,788</u>	<u>\$ 1,045,220</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. 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	<u>\$ 202,546</u>	<u>\$ 81,171</u>
Special reserve (reversal)	<u>\$ -</u>	<u>(\$ 4,576)</u>
Cash dividends	<u>\$ 968,275</u>	<u>\$ 370,373</u>
Dividends per share (NT\$)	\$ 6.0	\$ 5.0

The board of directors already passed a resolution in regard to the aforesaid cash dividends on February 25, 2022 and March 12, 2021, respectively. As for the distribution of the earnings for 2021 and 2020, the regular meeting of shareholders also reached a resolution on May 27, 2022 and August 20, 2021, respectively. The cash dividends per share for 2021 have taken into account the effect of the increase in the number of outstanding shares after the change in stock par value.

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

d. Other equity items

Exchange differences on translation of the financial statements of foreign operations

	For the Nine Months Ended <u>September 30, 2022</u>	For the Nine Months Ended <u>September 30, 2021</u>
Balance at January 1	\$ 8,728	\$ 10,042
Recognized for the period		
Exchange differences on translation of the financial statements of foreign operations	<u>8,647</u>	<u>(1,779)</u>
Balance at September 30	<u>\$ 17,375</u>	<u>\$ 8,263</u>

e. Treasury shares

	<u>Shares Transferred to Employees (In Thousands of Shares)</u>
<u>For the Nine Months Ended September 30, 2022</u>	
Balance at January 1	\$ 516
Reduction in the period	<u>(516)</u>
Balance at September 30	<u>\$ -</u>
<u>For the Nine Months Ended September 30, 2021</u>	
Balance at the beginning and the end of the period	<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. 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 shares 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 September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Revenue from contracts with customers				
Revenue from the sale of goods	\$ 1,039,763	\$ 1,959,088	\$ 3,871,622	\$ 4,653,413
Revenue from the rendering of services	78,031	25,801	251,451	141,168
Revenue from licensing	61,079	33,197	136,528	81,384
Other income	7,431	918	10,081	3,750
	<u>\$ 1,186,304</u>	<u>\$ 2,019,004</u>	<u>\$ 4,269,682</u>	<u>\$ 4,879,715</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

Revenue from services is derived from the purchase of wafers and the provision of design and development services.

With respect to wafer purchase services for customers, 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 purchase 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, with the remaining receivables and payables classified as other receivables and other payables for wafer purchase.

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

3. Revenue from licensing

Since the technology licensing transactions do not commit to engage in activities that change the functionality of SIP core technology and the technology can be maintained without updating or technical support, the license fee received is recognized as license revenue when the right to use SIP core is transferred.

b. Contract balances

	September 30, 2022	December 31, 2021	September 30, 2021	January 1, 2021
Notes receivable and trade receivables (Note 9)	<u>\$ 988,992</u>	<u>\$ 854,080</u>	<u>\$ 745,081</u>	<u>\$ 600,601</u>
Contract liabilities (Note 19)				
Sale of goods	<u>\$ 113,255</u>	<u>\$ 173,602</u>	<u>\$ 259,101</u>	<u>\$ 88</u>

The changes in the balance of contract assets and 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 September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
An analysis of depreciation by function				
Operating costs	\$ 10,103	\$ 9,531	\$ 30,245	\$ 22,141
Operating expenses	<u>4,553</u>	<u>4,193</u>	<u>13,643</u>	<u>12,099</u>
	<u>\$ 14,656</u>	<u>\$ 13,724</u>	<u>\$ 43,888</u>	<u>\$ 34,240</u>
An analysis of depreciation by function				
Operating costs	\$ 13	\$ 50	\$ 17	\$ 127
Operating expenses	<u>4,154</u>	<u>6,327</u>	<u>11,449</u>	<u>19,714</u>
	<u>\$ 4,167</u>	<u>\$ 6,377</u>	<u>\$ 11,466</u>	<u>\$ 19,841</u>

b. Employee benefits expense

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Post-employment benefits (Note 18)				
Defined contribution plans	\$ 3,427	\$ 2,923	\$ 10,417	\$ 8,527
Share-based payments				
Equity-settled	<u>7,177</u>	<u>6,841</u>	<u>19,108</u>	<u>19,347</u>
Other employee benefits				
Salary	102,991	131,180	333,017	335,880
Labor and health insurance	5,828	4,655	17,161	13,431
Others	<u>5,773</u>	<u>4,663</u>	<u>16,250</u>	<u>12,500</u>
	<u>114,592</u>	<u>140,498</u>	<u>366,428</u>	<u>361,811</u>
Total employee benefits expense	<u>\$ 125,196</u>	<u>\$ 150,262</u>	<u>\$ 395,953</u>	<u>\$ 389,685</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 13,934	\$ 13,113	\$ 44,509	\$ 37,013
Operating expenses	<u>111,262</u>	<u>137,149</u>	<u>351,444</u>	<u>352,672</u>
	<u>\$ 125,196</u>	<u>\$ 150,262</u>	<u>\$ 395,953</u>	<u>\$ 389,685</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 the remuneration of directors for the three months and nine months ended September 30, 2022 and 2021 were as follows:

Accrual rate	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Compensation of employees	1.46%	2.73%
Remuneration of directors	0.22%	0.28%

<u>Amount</u>	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Compensation of employees	\$ 9,758	\$ 20,537	\$ 35,191	\$ 51,765
Remuneration of directors	1,800	1,800	5,400	5,400

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 were resolved by the board of directors on February 25, 2022 and March 12, 2021, separately, are as shown below:

	Cash	
	2021	2020
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, 2021 and 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

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Foreign exchange gains	\$ 566,157	\$ 23,084	\$1,170,146	\$ 55,192
Foreign exchange losses	(59,281)	(15,740)	(209,071)	(70,838)
Net gains (losses)	<u>\$ 506,876</u>	<u>\$ 7,344</u>	<u>\$ 961,075</u>	<u>(\$ 15,646)</u>

22. INCOME TAX

a. Income tax recognized in profit or loss:

Major components of income tax expense are as follows:

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Current tax				
In respect of the current period	\$ 161,000	\$ 144,677	\$ 454,782	\$ 286,996
Income tax on unappropriated earnings	-	(3,760)	42,732	14,552
In respect of prior years	(80)	-	(20,982)	(7,882)
	<u>160,920</u>	<u>140,917</u>	<u>476,532</u>	<u>293,666</u>
Deferred tax				
In respect of the current period	<u>7,142</u>	<u>24,336</u>	<u>12,933</u>	<u>64,626</u>
Income tax expense recognized in profit or loss	<u>\$ 168,062</u>	<u>\$ 165,253</u>	<u>\$ 489,465</u>	<u>\$ 358,292</u>

b. Income tax assessments

The income tax returns of the Company through 2020 have been assessed by the tax authorities. The income tax returns of the subsidiary, Zentel Electronics, through June 2022 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Basic earnings per share	<u>\$ 4.32</u>	<u>\$ 4.56</u>	<u>\$ 11.71</u>	<u>\$ 10.01</u>
Diluted earnings per share	<u>\$ 4.28</u>	<u>\$ 4.49</u>	<u>\$ 11.58</u>	<u>\$ 9.85</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 September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 697,988</u>	<u>\$ 675,913</u>	<u>\$ 1,877,128</u>	<u>\$ 1,482,540</u>

Ordinary Shares Outstanding

(In Thousands of Shares)

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Weighted-average number of ordinary shares used in the computation of basic earnings per share	161,491	148,165	160,296	148,137
Effects of potentially dilutive ordinary shares:				
Employee share options	1,215	2,208	1,531	2,235
Compensation of employees	<u>230</u>	<u>135</u>	<u>274</u>	<u>159</u>
Weighted-average number of ordinary shares used in the computation of diluted earnings per share	<u>162,936</u>	<u>150,508</u>	<u>162,101</u>	<u>150,531</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

Employee share option plan of the Group

<u>Grant date</u>	April 29, 2022	March 12, 2021	September 26, 2020	December 20, 2019	April 26, 2019	November 9, 2018	January 25, 2019
Approval date by board of directors	July 30, 2021	August 7, 2020	August 7, 2020	April 26, 2019	August 8, 2018	August 8, 2018	November 3, 2016
Grant unit	267,000	69,430	319,000	750,000	8,000	692,000	680,000
Exercise price (NT\$) (Notes 1 and 2)	251	781	333.5	83.7	43.85	44.8	81.70
Share per unit (Note 2) Granted to	1 ordinary share The Company and subsidiaries' employees who meet specific requirements	1 ordinary share The Company and subsidiaries' employees who meet specific requirements	1 ordinary share The Company and subsidiaries' employees who meet specific requirements	1 ordinary share The Company and subsidiaries' employees who meet specific requirements	1 ordinary share The Company and subsidiaries' employees who meet specific requirements	1 ordinary share The Company and subsidiaries' employees who meet specific requirements	1 ordinary share The Company and subsidiaries' employees who meet specific requirements
Vesting conditions (Note 3)	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 30% 4 years 30% 4 years 30%
Life/duration on (years)	10	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 exercise price per unit of stock options granted before October 2021 being adjusted to 50% of the original exercise price and the number of stock options available for subscription being adjusted from one to two.

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

Information about employee share options was as follows:

	For the Nine Months Ended September 30, 2022		For the Nine Months Ended September 30, 2021	
	Number of Options (Units)	Weighted- average Exercise Price (NT\$)	Number of Options (Units)	Weighted- average Exercise Price (NT\$)
Employee share options				
Balance at January 1	1,391,430	\$ 162.99	1,540,000	\$ 123.40
Options granted	267,000	251.00	69,430	781.00
Options exercised	(190,000)	69.59	(109,000)	57.26
Options expired	(97,187)	94.51	(5,000)	333.50
Balance at September 30	<u>1,371,243</u>	192.96	<u>1,495,430</u>	157.02
Options exercisable, end of period	<u>124,750</u>	220.26	<u>7,000</u>	73.18
Weighted-average fair value of options granted (NT\$)	<u>\$ 116.98</u>		<u>\$ 322.04</u>	

For the nine months ended September 30, 2022 and 2021, the weighted-average share prices at the date of exercise were NT\$392.85 and NT\$654.50, respectively.

Information about outstanding options was as follows:

September 30, 2022			December 31, 2021			September 30, 2021		
Issue Date	Exercise Price (NT\$)	Weighted Average Remaining Contractual Life (Years)	Issue Date	Exercise Price (NT\$)	Weighted Average Remaining Contractual Life (Years)	Issue Date	Exercise Price (NT\$)	Weighted Average Remaining Contractual Life (Years)
January 25, 2017	71.40	4.32	January 25, 2017	73.18	5.07	January 25, 2017	\$ 73.18	5.32
November 9, 2018	43.20	6.12	November 9, 2018	44.30	6.86	November 9, 2018	44.30	7.12
April 26, 2019	42.20	6.58	April 26, 2019	43.30	7.32	April 26, 2019	43.30	7.58
December 20, 2019	80.80	7.23	December 20, 2019	82.90	7.98	December 20, 2019	82.90	8.23
September 26, 2020	322.80	7.99	September 26, 2020	331.20	8.74	September 26, 2020	331.20	8.99
March 12, 2021	755.40	8.45	March 12, 2021	775.50	9.20	March 12, 2021	775.50	9.45
April 29, 2022	246.00	9.59						

Options granted in April 2022 and March 2021 were priced by using the binomial pricing model, and the inputs to the model were as follows:

Year of Offering	April 2022	March 2021
Fair value per option - grant date	\$92.47~\$137.32	\$259.14~\$374.71
Exercise price	\$251.00	\$781.00
Expected volatility	63.93%	55.64%
Expected life	6~7.5 years	6~7.5 years
Expected dividend yield	-	-
Risk-free interest rate	1.10%~1.17%	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 and nine months ended September 30, 2022 and 2021 were \$7,177 thousand, \$6,841 thousand, \$19,108 thousand and \$19,347 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

September 30, 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 instruments	<u>\$ 4,804</u>	<u>\$ -</u>	<u>\$ 164,652</u>	<u>\$ 169,456</u>

December 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 instruments	<u>\$ 12,001</u>	<u>\$ -</u>	<u>\$ 129,988</u>	<u>\$ 141,989</u>

September 30, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Investments in equity instruments	\$ 10,899	\$ -	\$ 103,684	\$ 114,583

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

For the Nine Months Ended September 30, 2022

Financial Assets	Financial Assets at FVTPL Equity Instruments
Balance at January 1, 2022	\$ 129,988
Recognized in profit or loss	<u>34,664</u>
Balance at September 30, 2022	<u>\$ 164,652</u>
Unrealized gain for the current year included in profit or loss relating to assets held at the end of the period	<u>\$ 34,664</u>

For the Nine Months Ended September 30, 2021

Financial Assets	Financial Assets at FVTPL Equity Instruments
Balance at January 1, 2022	\$ 28,032
Recognized in profit or loss	<u>75,652</u>
Balance at September 30, 2022	<u>\$ 103,684</u>
Unrealized gain for the current year included in profit or loss relating to assets held at the end of the period	<u>\$ 75,652</u>

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

Financial Instrument	Valuation Technique and Inputs
Unlisted company stock - domestic and foreign	<p>a) Fair values are estimated using the market approach, with reference to the company's valuation of similar companies and recent financing activities.</p> <p>b) Fair values are estimated using asset-based approach, with reference to the investee's net assets and business operation.</p>

c. Categories of financial instruments

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Financial assets</u>			
Financial assets at FVTPL			
Investments in equity instruments	\$ 169,456	\$ 141,989	\$ 114,583
Assets measured at amortized cost (Note 1)	9,363,444	3,848,899	3,555,736
<u>Financial liabilities</u>			
Assets measured at amortized cost (Note 2)	323,207	806,415	737,653

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 accounts payable, other payables 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, 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.

	<u>USD Impact</u>	
	<u>For the Nine Months Ended September 30, 2022</u>	<u>For the Nine Months Ended September 30, 2021</u>
Loss (i)	<u>\$ 396,230</u>	<u>\$ 53,597</u>

(i) 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:

	September 30, 2022	December 31, 2021	September 30, 2021
Fair value interest rate risk			
Financial assets	\$ 6,315,471	\$ 1,429,552	\$ 1,239,726
Financial liabilities	70,634	91,856	91,861
Cash flow interest rate risk			
Financial assets	1,388,860	1,096,355	1,345,059

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 nine months ended September 30, 2022 and 2021 would have increased by \$5,208 thousand and \$5,044 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 nine months ended September 30, 2022 and 2021 were primarily from 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 risk of price fluctuation of the money market funds held by the Group 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 nine months ended September 30, 2022 and 2021 would have increased/decreased by \$8,473 thousand and \$5,729 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL.

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.

September 30, 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	-	\$ 203,838	\$ 105,369	\$ -	\$ -
Lease liabilities	2.07	<u>12,637</u>	<u>32,494</u>	<u>26,737</u>	<u>-</u>
		<u>\$ 216,475</u>	<u>\$ 137,863</u>	<u>\$ 26,737</u>	<u>\$ -</u>

December 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>

September 30, 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 Lease liabilities	-	\$ 694,382	\$ 31,272	\$ -	\$ -
	1.81	<u>12,011</u>	<u>26,430</u>	<u>55,543</u>	<u>-</u>
		<u>\$ 706,393</u>	<u>\$ 57,702</u>	<u>\$ 55,543</u>	<u>\$ -</u>

(2) Financing facilities

	September 30, 2022	December 31, 2021	September 30, 2021
Bank loan facilities			
Amount unused	<u>\$ 600,000</u>	<u>\$ 700,000</u>	<u>\$ 700,000</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

Related Party	Relationship
Lyontek	Associate
ONECENT TECHNOLOGY (SINGAPORE) PTE.	Associate

b. Operating revenue

Line Item	Related Party Category/Name	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Sales revenue	Associate	<u>\$ 2,634</u>	<u>\$ 4,570</u>	<u>\$ 8,997</u>	<u>\$ 4,887</u>
Labor revenue	Associate	<u>\$ 53</u>	<u>\$ -</u>	<u>\$ 53</u>	<u>\$ -</u>

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

c. Receivables from related parties

Line Item	Related Party Category/Name	September 30, 2022	December 31, 2021	September 30, 2021
Trade receivables	Associate	<u>\$ 2,001</u>	<u>\$ 1,836</u>	<u>\$ 1,426</u>

d. Compensation of key management personnel

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Short-term employee benefits	\$ 11,311	\$ 19,419	\$ 44,234	\$ 57,312
Post-employment benefits	54	139	225	718
Share-based payments	<u>1,100</u>	<u>1,013</u>	<u>2,926</u>	<u>3,006</u>
	<u>\$ 12,465</u>	<u>\$ 20,571</u>	<u>\$ 47,385</u>	<u>\$ 61,036</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:

	September 30, 2022	December 31, 2021	September 30, 2021
Pledged deposits (classified as financial assets at amortized cost)	<u>\$ 2,763</u>	<u>\$ 2,763</u>	<u>\$ 2,745</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 the balance sheet date were as follows:

Significant commitments

The Group entered into long-term purchase agreement of materials with its supplier in October 2021, which covers the period from October 2021 to December 2024. 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. Considering the current transaction patterns and actual transactions with suppliers, the Group assesses that there is no significant

possibility of compensation, and therefore the related contracts do not have a significant impact on financial and operations.

30. SIGNIFICANT 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
September 30, 2022

<u>Financial assets</u>	<u>Foreign Currencies</u>	<u>Exchange Rates</u>	<u>New Taiwan Dollars</u>
<u>Monetary items</u>			
USD	\$ 254,481	31.75 (USD:NTD)	\$ 8,079,743
USD	305	7.0981 (USD:RMB)	<u>9,689</u>
			<u>\$ 8,089,432</u>
<u>Non-monetary items</u>			
Investments in equity instruments at FVTPL			
RMB	35,391	4.473 (RMB:NTD)	<u>\$ 158,302</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	4,860	31.75 (USD:NTD)	\$ 154,295
USD	332	7.0981 (USD:RMB)	<u>10,539</u>
			<u>\$ 164,834</u>

December 31, 2021

<u>Financial assets</u>	<u>Foreign Currencies</u>	<u>Exchange Rates</u>	<u>New Taiwan Dollars</u>
<u>Monetary items</u>			
USD	\$ 47,011	27.68 (USD:NTD)	\$ 1,301,257
USD	1,186	6.3720 (USD:RMB)	<u>32,818</u>
			<u>\$ 1,334,075</u>
<u>Non-monetary items</u>			
Investments in equity instruments at FVTPL			
RMB	28,462	4.344 (RMB:NTD)	<u>\$ 123,638</u>

Financial liabilitiesMonetary items

USD	22,171	27.68 (USD:NTD)	\$ 613,699
USD	387	6.3720 (USD:RMB)	<u>10,710</u>
			<u>\$ 624,409</u>

September 30, 2021

	Foreign Currencies	Exchange Rates	New Taiwan Dollars
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 56,764	27.85 (USD:NTD)	\$ 1,580,902
USD	286	6.4692 (USD:RMB)	<u>7,968</u>
			<u>\$ 1,588,870</u>
<u>Non-monetary items</u>			
Investments in equity instruments at FVTPL			
RMB	22,609	4.305 (RMB:NTD)	<u>\$ 97,334</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	18,244	27.85 (USD:NTD)	\$ 508,105
USD	317	6.4692 (USD:RMB)	8,833
JPY	21,420	0.249 (JPY:NTD)	<u>5,334</u>
			<u>\$ 522,272</u>

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

Foreign Currency	For the Three Months Ended September 30, 2022		For the Three Months Ended September 30, 2021	
	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)
USD	30.404 (USD:NTD)	\$ 508,769	27.858 (USD:NTD)	\$ 6,861
USD	6.8617 (USD:RMB)	(1,884)	6.4711 (USD:RMB)	(166)
EUR	30.620 (EUR: NTD)	(9)	32.850 (EUR: NTD)	(1)
JPY	0.2199 (JPY:NTD)	-	0.2531 (JPY:NTD)	650
		<u>\$ 506,876</u>		<u>\$ 7,344</u>

Foreign Currency	For the Nine Months Ended September 30, 2022		For the Nine Months Ended September 30, 2021	
	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)
USD	28.285 (USD:NTD)	\$ 961,377	28.067 (USD:NTD)	(\$ 18,014)
USD	6.6136 (USD:RMB)	(1,262)	6.4715 (USD:RMB)	566
RMB	4.428 (RMB:NTD)	(8)	4.305 (RMB:NTD)	-
JPY	0.2184 (JPY:NTD)	977	0.2589 (JPY:NTD)	1,804
EUR	30.950 (EUR: NTD)	(9)	33.590 (EUR: NTD)	(2)
		<u>\$ 961,075</u>		<u>(\$ 15,646)</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)
- c. 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)
- d. 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. The Group's reportable segments were as follows:

- IoT business unit - Customized memory design, sales and licensing
- AI business unit - Design, sales and licensing of heterogeneous integrated chip solutions

a. Segment revenue and results

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

For the Nine Months Ended September 30, 2022

	<u>IOT</u>	<u>AI</u>	<u>Total</u>
Segment revenue	\$ 3,595,682	\$ 674,000	\$ 4,269,682
Segment costs	(2,189,154)	(211,827)	(2,400,981)
Segment income	<u>\$ 1,406,528</u>	<u>\$ 462,173</u>	1,868,701
Operating expenses			(549,458)
Profit from operations			1,319,243
Other operating income and expenses			<u>1,047,350</u>
Profit before tax			<u>\$ 2,366,593</u>

For the Nine Months Ended September 30, 2021

	<u>IOT</u>	<u>AI</u>	<u>Total</u>
Segment revenue	\$ 4,359,818	\$ 519,897	\$ 4,879,715
Segment costs	(2,463,250)	(184,106)	(2,647,356)
Segment income	<u>\$ 1,896,568</u>	<u>\$ 335,791</u>	2,232,359
Operating expenses			(486,255)
Profit from operations			1,746,104
Other operating income and expenses			<u>94,728</u>
Profit before tax			<u>\$ 1,840,832</u>

b. Revenue from major products and service

Refer to Note 20.

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2022

TABLE 1

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

Holding Company Name	Marketable Securities Type/Name and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2022				Note
				Shares or Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value	
AP Memory Technology Corporation	Listed shares							
	Powerchip Semiconductor Manufacturing Corp.	-	Financial assets at FVTPL - non-current	168,560	\$ 4,804	0.004%	\$ 4,804	
	Unlisted shares							
	Haining Changmeng Technology Partnership Enterprise (Limited Partnership)	-	Financial assets at FVTPL - non-current	-	158,302	24.64%	158,302	
	GeneASIC Technologies Corporation	-	Financial assets at FVTPL - non-current	500,000	6,350	14.46%	6,350	

Note 1: 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 NINE MONTHS ENDED SEPTEMBER 30, 2022

TABLE 2

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

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Receivable (Payable)		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) Co. Limited	Sub-subsiary	Sale	(\$ 1,014,055)	(23.74%)	Net 30 days after monthly closing	\$ -	-	\$ 148,124	14.96%	Note 2
AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Co. Limited	Subsidiary	Sale	(110,256)	(2.58%)	Net 30 days after monthly closing	-	-	10,539	1.06%	Note 2

Note 1: The transactions between the Company and AP Memory Technology (Hangzhou) Co. Limited and AP Memory Technology (Hong Kong) Co. Limited are based on the prices and conditions 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
SEPTEMBER 30, 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	Allowance for Impairment Loss
					Amount	Action Taken		
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	Sub-subsidiary	\$ 148,124	11.00	\$ -	-	\$ 56,162	\$ -

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 NINE MONTHS ENDED SEPTEMBER 30, 2022

TABLE 4

(In Thousands of New Taiwan Dollars)

Number (Note 1)	Company Name	Counterparty	Flow of Transaction (Note 2)	Transaction Details			
				Account	Amount (Note 4)	Transaction Terms	Percentage of Transaction Amount to Consolidated Operating Revenue or Total Assets (Note 3)
0	AP Memory Technology Corporation	AP Memory Corp, USA	(1)	Research and development expenses	\$ 46,051	Note 5	1.08%
0	AP Memory Technology Corporation	AP Memory Corp, USA	(1)	Other payables	15,875	Note 5	0.14%
0	AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Co. Limited	(1)	Operating revenue	110,256	Note 5	2.58%
0	AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Co. Limited	(1)	Trade receivables	10,539	Note 5	0.09%
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(1)	Sales	1,014,055	Note 5	23.75%
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(1)	Trade receivables	148,124	Note 5	1.26%
1	AP Memory Technology (Hangzhou) Co. Limited	AP Memory Technology (Hong Kong) Co. Limited	(3)	Service revenue	45,452	Note 5	1.06%
1	AP Memory Technology (Hangzhou) Co. Limited	AP Memory Technology (Hong Kong) Co. Limited	(3)	Trade receivables	3,297	Note 5	0.03%

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 INVESTEEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2022			Net (Loss) Income of the Investee (Note 2)	Share of (Loss) Profit (Note 2 and 3)	Note
				September 30, 2022	December 31, 2021	Number of Shares	Percentage of Ownership (%)	Carrying Amount (Note 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%	\$ 36,531	(\$ 3,912) (USD (133,601))	(\$ 3,912)	Subsidiary
	Zentel Electronics Corp.	10F-1, No. 1, Taiyuan 1st St., Zhubei City, Hsinchu County	IC development, research and sales	306,798	306,798	100,000	100%	77,633	1,850	1,850	Subsidiary
	Lyontek Inc.	No. 17, Industry East 2nd Road, East District, Hsinchu City	IC design and sales	75,060	75,060	3,600,000	30%	88,590	42,089	12,627	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)
	ONECENT TECHNOLOGY LTD.	4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands	Design, development and sales of radio frequency identification systems	33,771 (USD 1,128,000)	-	3,600,000	48%	30,632	(23,396) (USD (798,923))	(1,493)	Associate
AP Memory Technology (Hangzhou) Co. Limited	AP Memory Technology (Hong Kong) Co. Limited	Rm.19C,Lockhart Ctr.,301-307 Lockhart Rd.,Wan Chai, Hong Kong.	IC sales	275 (USD 10,000)	275 (USD 10,000)	10,000	100%	14,657	7,831 (USD 267,404)	7,831	Subsidiary

Note 1: Translation was based on the exchange rate at September 30, 2022.

Note 2: Translation was based on the average exchange rate for the nine months ended September 30, 2020.

Note 3: Apart from Lyontek Inc. and ONECENT TECHNOLOGY LTD., 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.

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2022 (Note 1)	Net Income (Loss) of the Investee (Note 3)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3 and 5)	Carrying Amount as of September 30, 2022 (Note 4 and 5)	Accumulated Inward Remittance of Earnings as of September 30, 2022
					Outward	Inward						
AP Memory Technology (Hangzhou) Co. Limited	IC research, development and sales	\$ 58,009 (USD 2,000,000)	Note 2	\$ 58,009 (USD 2,000,000)	\$ -	\$ -	\$ 58,009 (USD 2,000,000)	\$ 27,671 (RMB 6,249,197)	100%	\$ 27,671	\$ 168,340	\$ -

Accumulated Investments in Mainland China as of September 30, 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)	\$ 6,535,924 (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 nine months ended September 30, 2022.

Note 4: Translation was based on the exchange rate at September 30, 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 September 30, 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 AND SUBSIDIARIES
INFORMATION OF MAJOR SHAREHOLDERS
SEPTEMBER 30, 2022

TABLE 7

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Shanyi Investment Co., Ltd.	26,706,668	16.53%

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 TWSE.