

**AP Memory Technology Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2021 and 2020 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, 2021 and 2020, the related consolidated statements of comprehensive income for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, 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, 2021 and 2020, its consolidated financial performance for the three months ended September 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2021 and 2020 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 29, 2021

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 (In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2021 (Reviewed)		December 31, 2020 (Audited)		September 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 2,446,151	44	\$ 662,967	17	\$ 430,038	12
Financial assets at fair value through profit or loss - current (Notes 7 and 30)	-	-	930,536	23	370,158	11
Financial assets at amortized cost - current (Notes 8 and 32)	2,745	-	60,215	1	61,430	2
Note receivable (Notes 9 and 22)	46,904	1	-	-	-	-
Trade receivables (Notes 9, 22 and 31)	698,177	12	600,601	15	483,873	14
Other receivables (Note 9)	198,290	3	401,777	10	16,347	-
Current tax assets (Note 4)	-	-	20,453	1	20,762	1
Inventories (Note 10)	1,352,127	24	625,055	16	620,488	18
Disposal groups held for sale (Note 11)	-	-	-	-	820,874	24
Other current assets (Notes 17 and 19)	213,377	4	8,423	-	17,986	1
Total current assets	4,957,771	88	3,310,027	83	2,841,956	83
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Notes 5, 7 and 30)	114,583	2	68,016	2	44,427	1
Financial assets at amortized cost - non-current (Note 8)	5,801	-	5,865	-	5,969	-
Investments accounted for using the equity method (Note 13)	81,942	2	79,905	2	78,763	2
Property, plant and equipment (Note 14)	81,186	1	8,009	-	9,330	-
Right-of-use assets (Note 15)	97,269	2	46,096	1	11,348	-
Other intangible assets (Note 16)	16,947	-	35,103	1	17,691	1
Deferred tax assets (Note 4)	27,924	1	78,811	2	83,227	3
Prepayments for equipment	2,426	-	1,869	-	-	-
Refundable deposits (Note 19)	21,455	-	208,547	5	201,969	6
Other non-current assets (Note 17)	201,933	4	141,152	4	142,304	4
Total non-current assets	651,466	12	673,373	17	595,028	17
TOTAL	\$ 5,609,237	100	\$ 3,983,400	100	\$ 3,436,984	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term loans (Note 18)	\$ -	-	\$ 130,613	3	\$ 146,290	4
Accounts payable	491,180	9	236,934	6	241,416	7
Other payables (Notes 19 and 31)	234,474	4	332,738	8	173,663	5
Current tax liabilities (Note 4)	265,549	5	132,617	3	21,352	1
Liabilities directly associated with disposal groups held for sale (Note 11)	-	-	-	-	196,357	6
Lease liabilities - current (Note 15)	37,122	-	19,830	1	9,007	-
Other current liabilities (Notes 19 and 22)	261,788	5	2,375	-	7,470	-
Total current liabilities	1,290,113	23	855,107	21	795,555	23
NON-CURRENT LIABILITIES						
Deferred tax liabilities (Note 4)	13,971	-	233	-	6,561	-
Lease liabilities - non-current (Note 15)	54,739	1	25,090	1	1,087	-
Long-term payables (Note 19)	-	-	-	-	105,171	3
Guarantee deposits	12,000	-	-	-	-	-
Total non-current liabilities	80,710	1	25,323	1	112,819	3
Total liabilities	1,370,823	24	880,430	22	908,374	26
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 21, 26 and 28)						
Share capital						
Ordinary shares	743,406	13	742,316	19	741,476	22
Advance receipts for ordinary shares	-	-	532	-	-	-
Total share capital	743,406	13	742,848	19	741,476	22
Capital surplus	1,045,220	19	1,020,722	25	1,013,445	29
Retained earnings						
Legal reserve	364,163	7	282,992	7	282,992	8
Special reserve	-	-	4,576	-	4,576	-
Unappropriated earnings	2,088,608	37	1,053,036	27	477,512	14
Total retained earnings	2,452,771	44	1,340,604	34	765,080	22
Other equity						
Exchange differences on translation of the financial statements of foreign operations	8,263	-	10,042	-	(16,570)	-
Equity directly associated with disposal groups held for sale	-	-	-	-	15,249	-
Total other equity	8,263	-	10,042	-	(1,321)	-
Treasury shares	(11,246)	-	(11,246)	-	(11,246)	-
Total equity attributable to owners of the Company	4,238,414	76	3,102,970	78	2,507,434	73
NON-CONTROLLING INTERESTS (Notes 11, 21 and 28)	-	-	-	-	21,176	1
Total equity	4,238,414	76	3,102,970	78	2,528,610	74
TOTAL	\$ 5,609,237	100	\$ 3,983,400	100	\$ 3,436,984	100

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

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE, NET (Notes 22 and 31)	\$ 2,019,004	100	\$ 828,317	100	\$ 4,879,715	100	\$ 2,537,507	100
OPERATING COSTS (Notes 10 and 23)	<u>1,079,862</u>	<u>53</u>	<u>557,190</u>	<u>67</u>	<u>2,647,356</u>	<u>54</u>	<u>1,911,439</u>	<u>76</u>
GROSS PROFIT	<u>939,142</u>	<u>47</u>	<u>271,127</u>	<u>33</u>	<u>2,232,359</u>	<u>46</u>	<u>626,068</u>	<u>24</u>
OPERATING EXPENSES (Notes 9 and 23)								
Selling and marketing expenses	34,833	2	20,407	3	84,620	2	65,663	2
General and administrative expenses	50,355	2	27,568	3	134,554	3	72,043	3
Research and development expenses	100,032	5	74,457	9	267,938	5	220,321	9
(Reversal of) expected credit loss	<u>(84)</u>	<u>-</u>	<u>2,194</u>	<u>-</u>	<u>(857)</u>	<u>-</u>	<u>2,194</u>	<u>-</u>
Total operating expenses	<u>185,136</u>	<u>9</u>	<u>124,626</u>	<u>15</u>	<u>486,255</u>	<u>10</u>	<u>360,221</u>	<u>14</u>
PROFIT FROM OPERATIONS	<u>754,006</u>	<u>38</u>	<u>146,501</u>	<u>18</u>	<u>1,746,104</u>	<u>36</u>	<u>265,847</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES								
Other losses	-	-	(78)	-	-	-	(3,741)	-
Share of profit of associates (Note 13)	2,591	-	302	-	7,437	-	3,478	-
Interest income	1,001	-	523	-	3,125	-	5,276	-
Other income	1,059	-	2,486	1	8,679	-	4,173	-
Gains on financial assets at fair value through profit or loss (Note 30)	75,608	4	10,259	1	92,665	2	24,963	1
Interest expense	(443)	-	(349)	-	(1,532)	-	(1,718)	-
Foreign exchange gain (loss), net (Notes 23 and 34)	7,344	-	(15,484)	(2)	(15,646)	-	(30,332)	(1)
Loss on disposal of property, plant and equipment (Note 27)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,539)</u>	<u>-</u>
Total non-operating income and expenses	<u>87,160</u>	<u>4</u>	<u>(2,341)</u>	<u>-</u>	<u>94,728</u>	<u>2</u>	<u>(3,440)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	841,166	42	144,160	18	1,840,832	38	262,407	10
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(165,253)</u>	<u>(8)</u>	<u>(21,609)</u>	<u>(3)</u>	<u>(358,292)</u>	<u>(8)</u>	<u>(15,300)</u>	<u>-</u>
NET PROFIT FROM CONTINUING OPERATIONS	<u>675,913</u>	<u>34</u>	<u>122,551</u>	<u>15</u>	<u>1,482,540</u>	<u>30</u>	<u>247,107</u>	<u>10</u>
NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS (Note 11)	<u>-</u>	<u>-</u>	<u>3,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,751)</u>	<u>-</u>
NET PROFIT FOR THE PERIOD	<u>675,913</u>	<u>34</u>	<u>126,072</u>	<u>15</u>	<u>1,482,540</u>	<u>30</u>	<u>243,356</u>	<u>10</u>

(Continued)

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of the financial statements of foreign operations	\$ 372	-	\$ (755)	-	\$ (1,779)	-	\$ (404)	-
Other comprehensive income (loss) for the period, net of income tax	372	-	(755)	-	(1,779)	-	(404)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 676,285</u>	<u>34</u>	<u>\$ 125,317</u>	<u>15</u>	<u>\$ 1,480,761</u>	<u>30</u>	<u>\$ 242,952</u>	<u>10</u>
NET PROFIT ATTRIBUTED TO:								
Owners of the Company	\$ 675,913	33	\$ 125,221	15	\$ 1,482,540	30	\$ 236,272	10
Non-controlling interests (Notes 11 and 21)	-	-	851	-	-	-	7,084	-
	<u>\$ 675,913</u>	<u>33</u>	<u>\$ 126,072</u>	<u>15</u>	<u>\$ 1,482,540</u>	<u>30</u>	<u>\$ 243,356</u>	<u>10</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO:								
Owners of the Company	\$ 676,285	34	\$ 124,440	15	\$ 1,480,761	30	\$ 235,934	10
Non-controlling interests (Notes 11 and 21)	-	-	877	-	-	-	7,018	-
	<u>\$ 676,285</u>	<u>34</u>	<u>\$ 125,317</u>	<u>15</u>	<u>\$ 1,480,761</u>	<u>30</u>	<u>\$ 242,952</u>	<u>10</u>
EARNINGS PER SHARE (Note 25)								
From continuing and discontinued operations								
Basic	\$ 4.56		\$ 0.85		\$ 10.01		\$ 1.60	
Diluted	\$ 4.49		\$ 0.83		\$ 9.85		\$ 1.58	
From continuing operations								
Basic	\$ 4.56		\$ 0.83		\$ 10.01		\$ 1.68	
Diluted	\$ 4.49		\$ 0.81		\$ 9.85		\$ 1.65	

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

(Concluded)

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company									Other Equity (Notes 21 and 26)				Treasury Shares (Note 21)	Total Equity Attributed to the Company's Shareholders	Non-controlling Interests (Notes 11, 21 and 28)	Total Equity
	Share Capital (Note 21)				Capital Surplus (Notes 21, 26 and 28)	Retained Earnings (Note 21)				Exchange Differences on Translation of the Financial Statements of Foreign Operations	Equity Directly Associated With Disposal Groups Held for Sale	Unearned Compensation Cost	Total				
	Number of Shares (In Thousand)	Amount	Advance Receipts for Ordinary Shares	Total Shares		Legal Reserve	Special Reserve	Unappropriated Earnings	Total								
BALANCE AT JANUARY 1, 2020	73,853	\$ 738,535	\$ -	\$ 738,535	\$ 838,388	\$ 282,992	\$ 3,225	\$ 316,359	\$ 602,576	\$ (4,576)	\$ -	\$ (1,120)	\$ (5,696)	\$ (11,246)	\$ 2,162,557	\$ -	\$ 2,162,557
Appropriation of the 2019 earnings																	
Special reserve	-	-	-	-	-	-	1,351	(1,351)	-	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	(73,682)	(73,682)	-	-	-	-	-	(73,682)	-	(73,682)
Recognition of employee share options by the Company	-	-	-	-	6,890	-	-	-	-	-	-	-	-	-	6,890	-	6,890
Net profit for the nine months ended September 30, 2020	-	-	-	-	-	-	-	236,272	236,272	-	-	-	-	-	236,272	7,084	243,356
Other comprehensive loss for the nine months ended September 30, 2020, net of income tax	-	-	-	-	-	-	-	-	-	(338)	-	-	(338)	-	(338)	(66)	(404)
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	-	-	-	236,272	236,272	(338)	-	-	(338)	-	235,934	7,018	242,952
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	153,042	-	-	-	-	3,593	-	-	3,593	-	156,635	14,072	170,707
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	(86)	(86)	-	-	-	-	-	(86)	86	-
Issuance of ordinary shares under employee share options	294	2,941	-	2,941	15,125	-	-	-	-	-	-	-	-	-	18,066	-	18,066
Recognition of restricted employee shares issued by the Company	-	-	-	-	-	-	-	-	-	-	-	1,120	1,120	-	1,120	-	1,120
Equity directly associated with disposal groups held for sale	-	-	-	-	-	-	-	-	-	(15,249)	15,249	-	-	-	-	-	-
BALANCE AT SEPTEMBER 30, 2020	74,147	\$ 741,476	\$ -	\$ 741,476	\$ 1,013,445	\$ 282,992	\$ 4,576	\$ 477,512	\$ 765,080	\$ (16,570)	\$ 15,249	\$ -	\$ (1,321)	\$ (11,246)	\$ 2,507,434	\$ 21,176	\$ 2,528,610
BALANCE AT JANUARY 1, 2021	74,231	\$ 742,316	\$ 532	\$ 742,848	\$ 1,020,722	\$ 282,992	\$ 4,576	\$ 1,053,036	\$ 1,340,604	\$ 10,042	\$ -	\$ -	\$ 10,042	\$ (11,246)	\$ 3,102,970	\$ -	\$ 3,102,970
Appropriation 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)	-	(370,373)
Recognition of employee share options by the Company	-	-	-	-	19,347	-	-	-	-	-	-	-	-	-	19,347	-	19,347
Net profit for the nine months ended September 30, 2021	-	-	-	-	-	-	-	1,482,540	1,482,540	-	-	-	-	-	1,482,540	-	1,482,540
Other comprehensive loss for the nine months ended September 30, 2021, net of income tax	-	-	-	-	-	-	-	-	-	(1,779)	-	-	(1,779)	-	(1,779)	-	(1,779)
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	-	-	-	1,482,540	1,482,540	(1,779)	-	-	(1,779)	-	1,480,761	-	1,480,761
Issuance of ordinary shares under employee share options	109	1,090	(532)	558	5,151	-	-	-	-	-	-	-	-	-	5,709	-	5,709
BALANCE AT SEPTEMBER 30, 2021	74,340	\$ 743,406	\$ -	\$ 743,406	\$ 1,045,220	\$ 364,163	\$ -	\$ 2,088,608	\$ 2,452,771	\$ 8,263	\$ -	\$ -	\$ 8,263	\$ (11,246)	\$ 4,238,414	\$ -	\$ 4,238,414

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

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	\$ 1,840,832	\$ 262,407
Loss before income tax from discontinued operations	-	(3,746)
Income before income tax	<u>1,840,832</u>	<u>258,661</u>
Adjustments for:		
Depreciation expenses	34,240	17,151
Amortization expenses	19,841	20,889
Expected credit loss (reversed) recognized on trade receivables	(857)	2,194
Net gain on financial assets at fair value through profit or loss	(92,665)	(24,963)
Interest expenses	1,532	1,769
Interest income	(3,125)	(5,312)
Dividend income	(503)	(155)
Compensation cost of employee share options	19,347	8,010
Share of profit of associates	(7,437)	(3,478)
Loss on disposal of property, plant and equipment	-	142
Loss on disposal of assets	-	5,539
Write-down of inventories	19,335	86,278
Unrealized loss on foreign currency exchange	7,699	295
Losses on lease modification	-	116
Changes in operating assets and liabilities		
Decrease (increase) in financial assets mandatorily classified as at fair value through profit or loss	976,634	(324,192)
Increase in notes receivable and trade receivables	(141,332)	(74,405)
Decrease in other receivables	194,795	23,284
(Increase) decrease in inventories	(746,407)	46,689
Increase in other current assets	(65,735)	(26,121)
Increase in trade payables	252,913	130,570
Decrease in other payables	(98,477)	(57,392)
Increase in other current liabilities	<u>259,413</u>	<u>1,206</u>
Cash generated from operations	2,470,043	86,775
Interest received	3,177	5,292
Dividends received	503	155
Interest paid	(1,684)	(1,906)
Income tax paid	<u>(140,282)</u>	<u>(563)</u>
Net cash generated from operating activities	<u>2,331,757</u>	<u>89,753</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	-	(58,205)
Proceeds from sale of financial assets at amortized cost	57,470	-
Acquisition of associates	-	(500)
Net cash outflow on disposal of subsidiary (Note 27)	-	(10,189)

(Continued)

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
Proceeds from disposal of property, plant and equipment	\$ -	\$ 2,106
Acquisition of property, plant and equipment	(82,379)	(4,242)
(Increase) decrease in refundable deposits	(12,908)	1,806
Payments for intangible assets	(2,091)	(1,072)
Increase in prepayments for equipment	(2,426)	-
Dividends received from associates	5,400	7,740
Issuance of financial liabilities measured at fair value through profit or loss	<u>-</u>	<u>9,753</u>
Net cash used in investing activities	<u>(36,934)</u>	<u>(52,803)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(130,613)	(153,710)
Increase in guarantee deposits	12,000	-
Repayment of the principal portion of lease liabilities	(27,035)	(10,560)
Cash dividends paid	(370,373)	(73,682)
Proceeds from exercise of employee share options	5,709	18,066
Partial disposal of interests in subsidiary without a loss of control	<u>-</u>	<u>140,447</u>
Net cash used in financing activities	<u>(510,312)</u>	<u>(79,439)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(1,327)</u>	<u>(1,765)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,783,184	(44,254)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>662,967</u>	<u>584,264</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 2,446,151</u>	<u>\$ 540,010</u> (Concluded)

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

Reconciliation of cash at the end of the period

	<u>September 30</u>	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents in the consolidated balance sheets	\$ 2,446,151	\$ 430,038
Cash and cash equivalents included in disposal groups held for sale	<u>-</u>	<u>109,972</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 2,446,151</u>	<u>\$ 540,010</u>

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

(Concluded)

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

Upon approval of Taipei Exchange (TPEX) in June 2015, the Company started trading on Emerging Stock Board of TPEX and then trading on Taiwan Stock Exchange (TWSE) on May 31, 2016.

The 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 29, 2021.

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 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

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

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

Note 4: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

See Note 12 and Tables 8 and 9 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

Other Significant Accounting Policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2020.

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, 2020 for the critical accounting judgments and key sources of estimation uncertainty.

Fair Value Measurements and Valuation Processes

Where some of the Group's assets and liabilities measured at fair value have no quoted prices in active markets, the Group determines the appropriate valuation techniques for the fair value measurements and whether to engage third party qualified valuers.

Where Level 1 inputs are not available, the Group or engaged valuers determine the appropriate inputs by referring to the analyses of the financial position and the operation results of the investees, recent transaction prices, prices of the same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, and valuation multiples of comparable entities. If the actual changes of inputs in the future differ from expectation, the fair value might vary accordingly.

The Group updates inputs every quarter to confirm the appropriateness of the fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Notes 7 and 30.

6. CASH AND CASH EQUIVALENTS

	September 30, 2021	December 31, 2020	September 30, 2020
Cash on hand	\$ 56	\$ 98	\$ 76
Checking accounts and demand deposits	1,345,095	662,869	429,962
Cash equivalents (investments with original maturities of 3 months or less)			
Time deposits	<u>1,101,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,446,151</u>	<u>\$ 662,967</u>	<u>\$ 430,038</u>

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

	September 30, 2021	December 31, 2020	September 30, 2020
Deposits	0.001%-1.4375%	0.001%-0.30%	0.05%-0.30%
Time deposits	0.30%-0.34%	-	-

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial assets - current</u>			
Non-derivative financial assets			
Mutual funds	<u>\$ -</u>	<u>\$ 930,536</u>	<u>\$ 370,158</u>
<u>Financial assets - non-current</u>			
Non-derivative financial assets			
Overseas unlisted			
Haining Changmeng Technology Partnership Enterprise (Limited Partnership) (a)	\$ 97,334	\$ 27,243	\$ 27,051
Domestic quoted			
Powerchip Semiconductor Manufacturing Corp. (b)	10,899	39,984	-
Domestic unlisted			
Powerchip Semiconductor Manufacturing Corp. (b)	-	-	17,376
GeneASIC Technologies Corporation (c)	<u>6,350</u>	<u>789</u>	<u>-</u>
	<u>\$ 114,583</u>	<u>\$ 68,016</u>	<u>\$ 44,427</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, 2021, 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, August 2021 and June 2020, the Group sold 250 thousand shares, 451 thousand shares and 700 thousand shares at \$16,713 thousand, \$30,809 thousand and \$15,775 thousand, and recognized realized gains of \$14,188 thousand, 26,253 thousand and \$8,705 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, 2021, the Group held 0.005% PSMC's issued shares.
- c. In August 2020, the Group acquired 500 thousand ordinary shares of GeneASIC Technologies Corporation (hereinafter referred to as GeneASIC) at the price of \$500 thousand. The shareholding ratio thereof is 20% and this investment is treated as investments accounted for using the equity method. Nevertheless, as the Group did not participate in GeneASIC's capital increase in December 2020, its shareholding ratio dropped to 19.05%. As such change has affected the Group's significant influence over GeneASIC, investments in GeneASICs are measured at fair value and recognized as financial assets at fair value through profit or loss. The difference between the fair value and carrying amount of \$461 thousand is recognized as gain on disposal of associate. In August 2021, the Group did not participate in GeneASIC's capital increase, resulting in the equity held by the Group dropped to 14.46%. As of September 30, 2021, the Group held 14.46% of shares issued by GeneASIC.

8. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Current</u>			
Time deposits with original maturities of more than 3 months	\$ <u>2,745</u>	\$ <u>60,215</u>	\$ <u>61,430</u>
<u>Non-current</u>			
Time deposits with original maturities of more than 1 year	\$ <u>5,801</u>	\$ <u>5,865</u>	\$ <u>5,969</u>

Please refer to Note 32 for information relating to pledged assets.

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Notes receivable (a)</u>			
At amortized cost			
Gross carrying amount	\$ <u>46,904</u>	\$ <u>-</u>	\$ <u>-</u>
<u>Trade receivables (a)</u>			
At amortized cost			
Gross carrying amount	\$ 699,406	\$ 602,687	\$ 486,067
Less: Allowance for impairment loss	<u>(1,229)</u>	<u>(2,086)</u>	<u>(2,194)</u>
	<u>\$ 698,177</u>	<u>\$ 600,601</u>	<u>\$ 483,873</u>

(Continued)

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Other receivables</u>			
Loans receivable (b)			
Fixed interest rate	\$ 130,180	\$ 381,523	\$ -
Tax refunds receivables	63,788	19,198	10,932
Others	<u>4,322</u>	<u>1,056</u>	<u>5,415</u>
	<u>\$ 198,290</u>	<u>\$ 401,777</u>	<u>\$ 16,347</u> (Concluded)

a. Notes receivable and trade receivables

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

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

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

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

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>

December 31, 2020

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

September 30, 2020

	Not Past Due	Due in 1-30 Days	Due in 31-60 Days	Due in 61-90 Days	Due in 91-180 Days	Due in 181-360 Days	Due in More than 360 Days	Total
Gross carrying amount	\$ 407,750	\$ 73,441	\$ 2,667	\$ 162	\$ 2,047	\$ -	\$ -	\$ 486,067
Allowance for impairment loss (lifetime ECLs)	-	(73)	(27)	(59)	(2,035)	-	-	(2,194)
Amortized cost	<u>\$ 407,750</u>	<u>\$ 73,368</u>	<u>\$ 2,640</u>	<u>\$ 103</u>	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 483,873</u>

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

	For the Nine Months Ended September 30	
	2021	2020
Balance at January 1	\$ 2,086	\$ 2,738
Net remeasurement of loss allowance	(857)	2,194
Less: Disposal of subsidiary (Note 27)	<u>-</u>	<u>(2,738)</u>
Balance at September 30	<u>\$ 1,229</u>	<u>\$ 2,194</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, 2020: None):

	September 30, 2021	December 31, 2020
Fixed rate		
Less than 1 year	<u>\$ 130,180</u>	<u>\$ 381,523</u>

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

10. INVENTORIES

	September 30, 2021	December 31, 2020	September 30, 2020
Finished goods	\$ 309,678	\$ 156,564	\$ 220,401
Work- in-process progress	174,964	263,186	172,581
Raw materials	<u>867,485</u>	<u>205,305</u>	<u>227,506</u>
	<u>\$ 1,352,127</u>	<u>\$ 625,055</u>	<u>\$ 620,488</u>

The nature of operating costs is as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Cost of inventories sold	\$ 1,057,911	\$ 904,119	\$ 2,628,021	\$ 2,423,014
Cost of service rendered	-	388	-	1,116
Inventory write-downs	21,951	17,884	19,335	86,278
Less: Amounts transferred to discontinued operations	<u>-</u>	<u>(365,201)</u>	<u>-</u>	<u>(598,969)</u>
	<u>\$ 1,079,862</u>	<u>\$ 557,190</u>	<u>\$ 2,647,356</u>	<u>\$ 1,911,439</u>

11. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

In response to the Group's strategic development, the Group successively transferred the business of its subsidiary, Zentel Electronics Corp. (hereinafter referred to as Zentel Electronics), to another subsidiary, Zentel Japan Corp. (hereinafter referred to as Zentel Japan), for integration since the fourth quarter of 2019. The Group further sold 24% equity interest of Zentel Japan to Eaglestream Technology Holdings (Hong Kong) Limited (hereinafter referred to as EGST Ltd.) and Powerchip Technology Co., Ltd. (hereinafter referred to as PTC) on January 2, 2020. The contract price was US\$6,000 thousand, comprising the equity price of US\$5,675 thousand and options given to trading participants of US\$325 thousand. The options were assessed by a third-party assessor on January 2, 2020 as the base date. Those who acquire the option according to the purchase agreement may exercise the following rights: Certain buyer may exercise a mandatory call option to acquire a specific proportion of shares within 15 months after the closing date; when failing to reach specific requirements, buyers may exercise a stock put option within 15 to 18 months from the closing date; and Zentel Electronics may, when the aforesaid options are not exercised, exercise a stock call option within 18 to 21 months after the closing date. As equity trading does not result in any loss of control, it shall be treated as equity transaction, refer to Note 28.

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

- a. Disposal groups held for sale (September 30, 2021 and December 31, 2020: None)

	September 30, 2020
Cash and cash equivalent	\$ 109,972
Trade receivables, net	172,067
Inventories	377,347
Right-of-use assets	3,209
Property, plant and equipment	262
Goodwill	76,204
Other intangible assets	70,201
Other assets	<u>11,612</u>
Assets directly associated with disposal groups classified as held for sale	<u>\$ 820,874</u>
Trade and other payables	\$ 192,331
Other liabilities	987
Lease liabilities	<u>3,039</u>
Liabilities directly associated with disposal groups classified as held for sale	<u>\$ 196,357</u>
Equity directly associated with disposal groups classified as held for sale	<u>\$ 15,249</u>

The information above is based on the amount of intercompany transactions eliminated upon consolidation, with related goodwill and intangible assets, excluding the trade payables of the disposal group to other consolidated entities of \$389,868 thousand.

- b. The income and cash flows from discontinued operations are as follows (for the nine month ended September 30, 2021: None):

	For the Three Months Ended September 30, 2020	For the Nine Months Ended September 30, 2020
Operating revenue	\$ 407,896	\$ 733,930
Operating costs	<u>(365,201)</u>	<u>(598,969)</u>
Gross profit	42,695	134,961
Research and development expense	(38,784)	(138,125)
Selling expense	(2,312)	(3,325)
Administrative expense	<u>(4,061)</u>	<u>(6,235)</u>
Operating loss	(2,462)	(12,724)
Non-operating income and expenses	<u>5,984</u>	<u>8,978</u>
Income (loss) before taxes	3,522	(3,746)
Income tax expense	<u>(1)</u>	<u>(5)</u>
Profit (loss) from discontinued operations	<u>\$ 3,521</u>	<u>\$ (3,751)</u>
Profit (loss) from discontinued operations attributable to:		
Owners of Company	\$ 2,670	\$ (10,835)
Non-controlling interests	<u>851</u>	<u>7,084</u>
	<u>\$ 3,521</u>	<u>\$ (3,751)</u>

(Continued)

	For the Three Months Ended September 30, 2020	For the Nine Months Ended September 30, 2020
Cash flows from		
Operating activities		\$ 51,667
Financing activities		(2,918)
Effects of exchange rate change on cash		<u>(405)</u>
Net cash inflows		<u>\$ 48,344</u> (Concluded)

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

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

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2021	December 31, 2020	September 30, 2020	
AP Memory Technology Corporation ("AP Memory")	AP Memory Corp, USA ("AP-USA")	IC research and development services	100	100	100	1
	AP MEMORY HOLDING Co., Ltd. ("AP-HOLDING")	Investment related services	-	-	-	2
	Zentel Electronics Corporation ("Zentel Electronics")	IC research, development and sales	100	100	100	3
	AP Memory Technology (Hangzhou) Limited Co. ("AP Hangzhou")	IC research, development and sales	100	100	100	4
	AP Memory Japan G.K. ("AP Japan")	Sale of ICs	-	-	-	5
AP-HOLDING	AP Electronics (Beijing) Co., Ltd. ("AP Beijing")	Technical consulting and services of ICs	-	-	-	6
Zentel Electronics	Zentel Japan Corporation ("Zentel Japan")	IC research, development and sales	-	-	76	7
AP Hangzhou	AP Memory Technology (Hong Kong) Co. Limited ("AP Hong Kong")	Sale of ICs	100	-	-	8

- 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 29, 2021, the Company already contributed US\$2,000 thousand of capital thereto.
- 2) To expand the operation and grow the business, the Company established a subsidiary, AP-HOLDING, in the Republic of Seychelles in April 2015. Through the reinvestments of AP-HOLDING, the Group then established AP Beijing. AP-HOLDING mainly engages in investment-related matters.

In the consideration of operational adjustments, the Group reached a decision on March 2, 2020 to sell the full equity ownership of AP-Holding; and, on March 20, 2020, AP-HOLDING was sold for US\$230 thousand. Please refer to Note 27 for more information.

- 3) To integrate all resources and optimize the synergy, the Company's board of directors reached a decision on September 2, 2016 to publicly purchase the ordinary shares of Zentel Electronics. As of the expiry date of the acquisition period, the Company totally purchased 55.24% equity interest of Zentel Electronics at the price of \$544,291 thousand. Later on June 19, 2017, the Company then, upon resolution of the board of directors, acquire the remaining 44.76% equity of Zentel Electronics at the price of \$441,040 thousand via cash consideration in accordance with Business Mergers and Acquisitions Act. After that, the Company obtained the full equity of Zentel Electronics. Zentel Electronics engages in the research, development and sale of ICs. To enhance the capital use efficiency and business operation of Zentel Electronics, the Company reached a decision to reduce the capital and return the capital of \$399,000 thousand. The base date was July 30, 2021 and the related registration had been completed. With respect to Zentel Electronics' business adjustments made in response to the Group's overall strategy, please refer to Note 11. As of October 29, 2021, Zentel Electronics' paid-in capital was \$1,000 thousand.
- 4) Established in Hangzhou in December 2017, AP Hangzhou mainly engages in the research, development and sale of ICs. As of October 29, 2021, AP Hangzhou's paid-in capital amounted to US\$1,000 thousand.
- 5) AP Japan was established in September 2019 in Japan to promote the sale of ICs. In the consideration of operational adjustments, the Company reached a decision on the dissolution of AP Japan on September 18, 2020 and completed the amendment registration on November 2, 2020.
- 6) Established in October 2015, AP Beijing mainly engages in technical consulting and services of ICs. After the Group sold AP-HOLDING on March 20, 2020, it simultaneously lost control over AP Beijing, which is 100% owned by AP-HOLDING.
- 7) Established in September 2003 in Japan, Zentel Japan mainly engages in the research, development, and sale of ICs. To comply with the Group's strategy, the Group made business adjustments, whereby Zentel Japan was sold on November 30, 2020. For detailed information, please refer to Note 11.
- 8) 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 29, 2021, AP Hong Kong's paid-in capital amounted to US\$10 thousand.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Investments in associates</u>			
Associates that are not individually insignificant material			
Lyontek Inc. ("Lyontek")	\$ 81,942	\$ 79,905	\$ 78,309
GeneASIC Technologies Corporation ("GeneASIC")	-	-	454
	<u>\$ 81,942</u>	<u>\$ 79,905</u>	<u>\$ 78,763</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
The Group's share of:				
Net profit for the year	\$ 2,591	\$ 302	\$ 7,437	\$ 3,478
Total comprehensive income	\$ 2,591	\$ 302	\$ 7,437	\$ 3,478

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

The Group acquired 500 thousand shares of GeneASIC at the price of NT\$500 thousand in August 2020. This investment was originally accounted for investments using the equity method; and was changed to financial assets at fair value through profit or loss in December 2020 due to the loss of significant influence. Please refer to Note 7(c) for more information.

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

14. PROPERTY, PLANT AND EQUIPMENT

	Machinery and Equipment	Computer And Communications Equipment	Office Equipment	Leasehold Improvement	Total
<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 expense	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>

Cost

Balance at January 1, 2020	\$ 109,310	\$ 8,950	\$ 7,619	\$ 5,815	\$ 131,694
Additions	2,572	-	550	1,120	4,242
Disposals	(2,041)	(885)	(2,163)	(239)	(5,328)
Disposal of subsidiary (Note 27)	-	(205)	-	-	(205)
Reclassified as held for sale (Note 11)	(6,252)	-	(423)	-	(6,675)
Effect of foreign currency exchange differences	-	(25)	(8)	(11)	(44)
Balance at September 30, 2020	<u>103,589</u>	<u>7,835</u>	<u>5,575</u>	<u>6,685</u>	<u>123,684</u>

(Continued)

	Machinery and Equipment	Computer And Communications Equipment	Office Equipment	Leasehold Improvement	Total
<u>Accumulated depreciation</u>					
Balance at January 1, 2020	\$ 102,252	\$ 5,876	\$ 5,240	\$ 3,472	\$ 116,840
Depreciation expense	3,333	1,444	976	1,483	7,236
Disposals	(1,045)	(818)	(989)	(228)	(3,080)
Disposal of subsidiary (Note 27)	-	(194)	-	-	(194)
Reclassified as held for sale (Note 11)	(6,042)	-	(371)	-	(6,413)
Effect of foreign currency exchange differences	(8)	(20)	(4)	(3)	(35)
Balance at September 30, 2020	<u>98,490</u>	<u>6,288</u>	<u>4,852</u>	<u>4,724</u>	<u>114,354</u>
Carrying amount at December 31, 2019	<u>\$ 7,058</u>	<u>\$ 3,074</u>	<u>\$ 2,379</u>	<u>\$ 2,343</u>	<u>\$ 14,854</u>
Carrying amount at September 30, 2020	<u>\$ 5,099</u>	<u>\$ 1,547</u>	<u>\$ 723</u>	<u>\$ 1,961</u>	<u>\$ 9,330</u>

(Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

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

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Carrying amounts</u>			
Buildings	\$ 9,168	\$ 12,479	\$ 11,348
Machinery and equipment	<u>88,101</u>	<u>33,617</u>	<u>-</u>
	<u>\$ 97,269</u>	<u>\$ 46,096</u>	<u>\$ 11,348</u>
	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>
	2021	2020	2021
	2021	2020	2020
Additions to the right-of-use assets			<u>\$ 74,446</u>
Depreciation charge for right-of-use assets			<u>\$ 2,337</u>
Buildings	\$ 2,975	\$ 2,964	\$ 8,131
Machinery and equipment	5,217	-	15,070
Less: Depreciation of discontinued operations	<u>-</u>	<u>(815)</u>	<u>-</u>
	<u>\$ 8,192</u>	<u>\$ 2,149</u>	<u>\$ 23,201</u>
	<u>\$ 8,192</u>	<u>\$ 2,149</u>	<u>\$ 7,005</u>

b. Lease liabilities

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Carrying amounts</u>			
Current	<u>\$ 37,122</u>	<u>\$ 19,830</u>	<u>\$ 9,007</u>
Non-current	<u>\$ 54,739</u>	<u>\$ 25,090</u>	<u>\$ 1,087</u>

Range of discount rate for lease liabilities was as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Buildings	1.68%-2%	1.68%-3.58%	1.68%-3.58%
Machinery and equipment	1.8%	1.8%	-

c. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Expense relating to short-term leases	\$ 1,020	\$ 766	\$ 2,178	\$ 2,926
Less: Expenses relating to short-term leases of discontinued operations	<u>-</u>	<u>(69)</u>	<u>-</u>	<u>(163)</u>
	<u>\$ 1,020</u>	<u>\$ 697</u>	<u>\$ 2,178</u>	<u>\$ 2,763</u>
Total cash outflow for leases			<u>\$ (30,579)</u>	<u>\$ (13,624)</u>

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

16. OTHER INTANGIBLE ASSETS

	Computer Software	Technical Licensing	Customer Relations	Total
<u>Cost</u>				
Balance at January 1, 2021	\$ 109,828	\$ -	\$ -	\$ 109,828
Additions	2,091	-	-	2,091
Disposal	(15,589)	-	-	(15,589)
Effect of foreign currency exchange differences	<u>(1,011)</u>	<u>-</u>	<u>-</u>	<u>(1,011)</u>
Balance at September 30, 2021	<u>\$ 95,319</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,319</u>

(Continued)

	Computer Software	Technical Licensing	Customer Relations	Total
<u>Accumulated amortization</u>				
Balance at January 1, 2021	\$ 74,725	\$ -	\$ -	\$ 74,725
Amortization expense	19,841	-	-	19,841
Disposal	(15,589)	-	-	(15,589)
Effect of foreign currency exchange differences	<u>(605)</u>	<u>-</u>	<u>-</u>	<u>(605)</u>
Balance at September 30, 2021	<u>\$ 78,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,372</u>
Carrying amount at December 31, 2020	<u>\$ 35,103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,103</u>
Carrying amount at September 30, 2021	<u>\$ 16,947</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,947</u>
<u>Cost</u>				
Balance at January 1, 2020	\$ 86,767	\$ 114,586	\$ 789	\$ 202,142
Additions	1,072	-	-	1,072
Reclassified as held for sale (Note 11)	(24,106)	(114,586)	(789)	(139,481)
Effect of foreign currency exchange differences	<u>(35)</u>	<u>-</u>	<u>-</u>	<u>(35)</u>
Balance at September 30, 2020	<u>\$ 63,698</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,698</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2020	\$ 57,909	\$ 36,287	\$ 237	\$ 94,433
Amortization expense	12,239	8,594	56	20,889
Reclassified as held for sale (Note 11)	(24,106)	(44,881)	(293)	(69,280)
Effect of foreign currency exchange differences	<u>(35)</u>	<u>-</u>	<u>-</u>	<u>(35)</u>
Balance at September 30, 2020	<u>\$ 46,007</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,007</u>
Carrying amount at December 31, 2019	<u>\$ 28,858</u>	<u>\$ 78,299</u>	<u>\$ 552</u>	<u>\$ 107,709</u>
Carrying amount at September 30, 2020	<u>\$ 17,691</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,691</u>

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

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

17. OTHER ASSETS

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Current</u>			
Refundable deposits	\$ 200,000	\$ -	\$ -
Offsets against business tax payable	6,063	6,594	14,087
Others	<u>7,314</u>	<u>1,829</u>	<u>3,899</u>
	<u>\$ 213,377</u>	<u>\$ 8,423</u>	<u>\$ 17,986</u>
<u>Non-current</u>			
Masks and probe cards	\$ 201,933	\$ 141,152	\$ 136,063
Prepayments for software licensing fee	<u>-</u>	<u>-</u>	<u>6,241</u>
	<u>\$ 201,933</u>	<u>\$ 141,152</u>	<u>\$ 142,304</u>

18. BORROWINGS

- a. Short-term borrowings (September 30, 2021: None)

	December 31, 2020	September 30, 2020
<u>Secured borrowings (Note 32)</u>		
Bank loans	\$ 45,473	\$ 46,290
<u>Unsecured borrowings</u>		
Bank loans	<u>85,140</u>	<u>100,000</u>
	<u>\$ 130,613</u>	<u>\$ 146,290</u>

Secured borrowings refer to finance guarantee provided by Zentel Electronics. The guarantee is issued by CTBC Bank upon Zentel Electronics' provision of time deposit as collateral and is used as a loan guarantee for AP Memory (Hangzhou). The interest rate on loan on December 31, 2020 and September 30, 2020 was 2.214%.

The interest rates on unsecured borrowings were 0.72% and 0.88% per annum at December 31, 2020 and September 30, 2020, respectively.

19. OTHER LIABILITIES

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Current</u>			
Other payables			
Payable for compensation of employees	\$ 90,522	\$ 36,649	\$ 29,470
Payable for salaries or bonuses	57,243	35,518	20,614
Payable for the customer complaint compensation*	41,471	195,435	100,000
Payable for compensated absences	7,330	3,688	3,968
Payable for masks and probe cards	7,016	20,737	2,989
Payable for remuneration of directors	5,400	9,000	1,750
Payables for purchases of equipment	3,123	1,090	-
Payable for labor and national health insurances	2,203	1,673	1,484
Payable for pension	1,914	1,508	1,461
Payable for labor costs	1,818	2,268	1,778
Payable for contracted design expenses	-	468	468
Others	<u>16,434</u>	<u>24,704</u>	<u>9,681</u>
	<u>\$ 234,474</u>	<u>\$ 332,738</u>	<u>\$ 173,663</u>
Other liabilities			
Contract liabilities	\$ 259,101	\$ 88	\$ 5,841
Receipts under custody	2,685	1,725	1,627
Others	<u>2</u>	<u>562</u>	<u>2</u>
	<u>\$ 261,788</u>	<u>\$ 2,375</u>	<u>\$ 7,470</u>
<u>Non-current</u>			
Long-term payables			
Payable for the customer complaint compensation*	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,171</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. As of September 30, 2021, the Group still needs to settle the liability of \$41,471 thousand.

20. 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.

21. EQUITY

a. Share capital

Ordinary shares

	September 30, 2021	December 31, 2020	September 30, 2020
Number of shares authorized (in thousands)	<u>100,000</u>	<u>100,000</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>74,340</u>	<u>74,231</u>	<u>74,147</u>
Shares issued	<u>\$ 743,406</u>	<u>\$ 742,316</u>	<u>\$ 741,476</u>
Capital collected in advance	<u>\$ -</u>	<u>\$ 532</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. As of October 29, 2021, the number of shares issued was 148,681 thousand shares.

For the nine months ended September 30, 2021 and 2020, the Company's shares increased by 109 thousand and 294 thousand shares because of the employees' exercise of their employee share options, respectively.

On October 15, 2021, the board of directors of the Company resolved to issue new ordinary shares in the form of global depository receipts for raising funds. The number of shares shall not exceed 18,000 thousand shares.

b. Capital surplus

	September 30, 2021	December 31, 2020	September 30, 2020
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Issuance of ordinary shares	\$ 630,466	\$ 625,315	\$ 621,914
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Note 28)	<u>153,042</u>	<u>153,042</u>	<u>153,042</u>
	<u>783,508</u>	<u>778,357</u>	<u>774,956</u>

(Continued)

	September 30, 2021	December 31, 2020	September 30, 2020
<u>May be used to offset a deficit only (2)</u>			
Exercised and invalid employee share options	\$ 182,990	\$ 180,740	\$ 178,858
Vested restricted shares for employees	47,595	47,595	47,595
Cash capital increase reserved for employees	467	467	467
Changes in percentage of ownership interests in subsidiaries	<u>401</u>	<u>401</u>	<u>-</u>
	<u>231,453</u>	<u>229,203</u>	<u>226,920</u>
<u>Not be used for any purpose</u>			
Employee share options	<u>30,259</u>	<u>13,162</u>	<u>11,569</u>
	<u>\$ 1,045,220</u>	<u>\$ 1,020,722</u>	<u>\$ 1,013,445</u>

(Concluded)

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

Under the Company's dividend policy in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. If such surplus earning is distributed in the form of cash, it shall be authorized after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. For the policies on distribution of employees' compensation and remuneration of directors, refer to Note 23(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 2020 and 2019 were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2020	2019
Legal reserve	\$ 81,171	\$ _____
Special reserve (reversal)	\$ (4,576)	\$ 1,351
Cash dividends	\$ 370,373	\$ 73,682
Dividends per share (NT\$)	\$ 5.0	\$ 1.0

The board of directors already passed a resolution in regard to the aforesaid cash dividends on March 12, 2021 and April 30, 2020, respectively. As for the distribution of the earnings for 2020 and 2019, the regular meeting of shareholders also reached a resolution on August 20, 2021 and June 15, 2020, respectively.

In 2020 and 2019, dividends per share were adjusted to NT\$4.99946006 and NT\$0.99742797, respectively, due to the exercise of employee share options.

d. Other equity items

1) Exchange differences on translation of the financial statements of foreign operations

	For the Year Ended September 30	
	2021	2020
Balance at January 1	\$ 10,042	\$ (4,576)
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	(1,779)	(1,892)
Reclassification adjustments		
Disposal of subsidiary (Note 27)	-	1,554
Other comprehensive income for the year	(1,779)	(338)
Disposal of subsidiaries' partial equity	-	3,593
Reclassified as held for sale (Note 11)	-	(15,249)
Balance at September 30	\$ 8,263	\$ (16,570)

2) Unearned employee benefits (for the nine months ended September 30, 2021: None)

In their meetings, the shareholders approved a restricted share plan for employees, please see Note 26 for the details.

	For the Nine Months Ended September 30, 2020
Balance at January 1	\$ (1,120)
Share-based payment expenses recognized	1,120
Balance at September 30	\$ _____

e. Non-controlling interests (for the nine months ended September 30, 2021: None)

	For the Nine Months Ended September 30, 2020
Balance at January 1	\$ -
Net profit	7,084
Exchange differences on translation of the financial statements of foreign operations	(66)
Changes in ownership interests in subsidiary	86
Partial disposal of subsidiary	<u>14,072</u>
Balance at September 30	<u>\$ 21,176</u>

f. Treasury shares

	Shares Transferred to Employees (In Thousands of Shares)
<u>For the nine months ended September 30, 2021</u>	
Balance at the beginning and the end of the year	<u>258</u>
<u>For the nine months ended September 30, 2020</u>	
Balance at the beginning and the end of the year	<u>258</u>

To transfer shares to employees, the Company had, upon resolution of the board of directors on October 8, 2018, bought back 258 thousand shares between October 9, 2018 and December 8, 2018 at the price of NT\$11,246 thousand. The Company expects to retire the treasury shares above in December 2021.

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.

22. REVENUE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Revenue from contracts with customers				
Revenue from the sale of goods	\$ 1,959,088	\$ 757,128	\$ 4,653,413	\$ 2,302,433
Revenue from the rendering of services	58,998	50,167	222,552	188,395
Other income	<u>918</u>	<u>21,022</u>	<u>3,750</u>	<u>46,679</u>
	<u>\$ 2,019,004</u>	<u>\$ 828,317</u>	<u>\$ 4,879,715</u>	<u>\$ 2,537,507</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.

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

2) Revenue from the rendering of services

Revenue from the rendering of services comes from the provision of services based on contracts. The Group recognizes revenue on the basis of percentage of completion for its contracts.

b. Contract balances

	September 30, 2021	December 31, 2020	September 30, 2020	January 1, 2020
Notes receivable and trade receivables (Note 9)	<u>\$ 745,081</u>	<u>\$ 600,601</u>	<u>\$ 483,873</u>	<u>\$ 588,346</u>
Contract liabilities (Note 19)				
Sale of goods	<u>\$ 259,101</u>	<u>\$ 88</u>	<u>\$ 5,841</u>	<u>\$ 6,546</u>

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

23. NET PROFIT FROM CONTINUING OPERATIONS

a. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
An analysis of depreciation by function				
Operating costs	\$ 9,531	\$ 664	\$ 22,141	\$ 3,931
Operating expenses	<u>4,193</u>	<u>3,200</u>	<u>12,099</u>	<u>10,025</u>
	<u>\$ 13,724</u>	<u>\$ 3,864</u>	<u>\$ 34,240</u>	<u>\$ 13,956</u>
An analysis of amortization by function				
Operating costs	\$ 50	\$ 959	\$ 127	\$ 3,004
Operating expenses	<u>6,327</u>	<u>6,134</u>	<u>19,714</u>	<u>17,885</u>
	<u>\$ 6,377</u>	<u>\$ 7,093</u>	<u>\$ 19,841</u>	<u>\$ 20,889</u>

b. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Post-employment benefits (Note 20)				
Defined contribution plans	\$ 2,923	\$ 1,462	\$ 8,527	\$ 4,483
Share-based payments				
Equity-settled	<u>6,841</u>	<u>2,216</u>	<u>19,347</u>	<u>7,635</u>
Other employee benefits				
Salary	131,180	71,705	335,880	191,905
Labor and health insurance	4,655	3,656	13,431	10,026
Others	<u>4,663</u>	<u>3,062</u>	<u>12,500</u>	<u>9,373</u>
	<u>140,498</u>	<u>78,423</u>	<u>361,811</u>	<u>211,304</u>
Total employee benefits expense	<u>\$ 150,262</u>	<u>\$ 82,101</u>	<u>\$ 389,685</u>	<u>\$ 223,422</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 13,113	\$ 10,677	\$ 37,013	\$ 36,479
Operating expenses	<u>137,149</u>	<u>71,424</u>	<u>352,672</u>	<u>186,943</u>
	<u>\$ 150,262</u>	<u>\$ 82,101</u>	<u>\$ 389,685</u>	<u>\$ 223,422</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, 2020 and 2021 were as follows:

Accrual rate

	For the Nine Months Ended September 30	
	2021	2020
Compensation of employees	2.73%	8.88%
Remuneration of directors	0.28%	0.27%

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Compensation of employees	<u>\$ 20,537</u>	<u>\$ 23,000</u>	<u>\$ 51,765</u>	<u>\$ 24,592</u>
Remuneration of directors	<u>\$ 1,800</u>	<u>\$ 250</u>	<u>\$ 5,400</u>	<u>\$ 750</u>

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 2020 that was resolved by the board of directors on March 12, 2021, is as shown below:

	For the Year Ended December 31 2020
	Cash
Compensation of employees	\$ 34,592
Remuneration of directors	8,000

For the year ended December 31, 2019, the Company had incurred net loss; hence, no compensation of employees and remuneration of directors were accrued for the period.

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

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

d. Gains or losses on foreign currency exchange

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Foreign exchange gains	\$ 23,084	\$ 10,818	\$ 55,192	\$ 37,509
Foreign exchange losses	<u>(15,740)</u>	<u>(26,302)</u>	<u>(70,838)</u>	<u>(67,841)</u>
Net gains (losses)	<u>\$ 7,344</u>	<u>\$ (15,484)</u>	<u>\$ (15,646)</u>	<u>\$ (30,332)</u>

24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss:

Major components of income tax expense are as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Current tax				
In respect of the current period	\$ 144,677	\$ 21,493	\$ 286,996	\$ 21,493
Income tax on unappropriated earnings	(3,760)	-	14,552	-
In respect of prior years	<u>-</u>	<u>-</u>	<u>(7,882)</u>	<u>-</u>
	<u>140,917</u>	<u>21,493</u>	<u>293,666</u>	<u>21,493</u>
Deferred tax				
In respect of the current period	24,336	116	64,626	27,698
In respect of prior years	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33,891)</u>
	<u>24,336</u>	<u>116</u>	<u>64,626</u>	<u>(6,193)</u>
Income tax expense recognized in profit or loss	<u>\$ 165,253</u>	<u>\$ 21,609</u>	<u>\$ 358,292</u>	<u>\$ 15,300</u>

b. Income tax assessments

The income tax returns of the Company and its subsidiary, Zentel Electronics, through 2019 have been assessed by the tax authorities.

25. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Basic earnings per share				
From continuing operations	\$ 4.56	\$ 0.83	\$ 10.01	\$ 1.68
From discontinued operations	<u>-</u>	<u>0.02</u>	<u>-</u>	<u>(0.08)</u>
Total basic earnings per share	<u>\$ 4.56</u>	<u>\$ 0.85</u>	<u>\$ 10.01</u>	<u>\$ 1.60</u>
Diluted earnings per share				
From continuing operations	\$ 4.49	\$ 0.81	\$ 9.85	\$ 1.65
From discontinued operations	<u>-</u>	<u>0.02</u>	<u>-</u>	<u>(0.07)</u>
Total diluted earnings per share	<u>\$ 4.49</u>	<u>\$ 0.83</u>	<u>\$ 9.85</u>	<u>\$ 1.58</u>

The weighted average number of ordinary shares outstanding used for the earnings per share computation was adjusted retroactively for the change in par value per share on October 15, 2021. The basic and diluted earnings per share adjusted retrospectively for the three months and nine months ended September 30, 2020 were as follows:

Unit: NT\$ Per Share

	Before Retrospective Adjustment		After Retrospective Adjustment	
	For the Three Months Ended September 30, 2020	For the Nine Months Ended September 30, 2020	For the Three Months Ended September 30, 2020	For the Nine Months Ended September 30, 2020
Basic earnings per share				
From continuing operations	\$ 1.66	\$ 3.36	\$ 0.83	\$ 1.68
From discontinued operations	<u>0.04</u>	<u>(0.15)</u>	<u>0.02</u>	<u>(0.08)</u>
Total basic earnings per share	<u>\$ 1.70</u>	<u>\$ 3.21</u>	<u>\$ 0.85</u>	<u>\$ 1.60</u>
Diluted earnings per share				
From continuing operations	\$ 1.63	\$ 3.30	\$ 0.81	\$ 1.65
From discontinued operations	<u>0.04</u>	<u>(0.14)</u>	<u>0.02</u>	<u>(0.07)</u>
Total diluted earnings per share	<u>\$ 1.67</u>	<u>\$ 3.16</u>	<u>\$ 0.83</u>	<u>\$ 1.58</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		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Earnings used in the computation of basic and diluted earnings per share	\$ 675,913	\$ 125,221	\$ 1,482,540	\$ 236,272
Less: Profit (loss) for the year from discontinued operations used in the computation of basic and diluted earnings (loss) per share from discontinued operations	<u>-</u>	<u>(2,670)</u>	<u>-</u>	<u>10,835</u>
Earnings used in the computation of basic and diluted earnings per share from continuing operations	<u>\$ 675,913</u>	<u>\$ 122,551</u>	<u>\$ 1,482,540</u>	<u>\$ 247,107</u>

Ordinary Shares Outstanding

(In Thousands of Shares)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Weighted-average number of ordinary shares used in the computation of basic earnings per share	148,165	147,728	148,137	147,417
Effects of potentially dilutive ordinary shares:				
Employee share options	2,208	2,312	2,235	2,133
Restricted shares for employees	-	-	-	31
Compensation of employees	<u>135</u>	<u>149</u>	<u>159</u>	<u>149</u>
Weighted-average number of ordinary shares used in the computation of diluted earnings per share	<u>150,508</u>	<u>150,189</u>	<u>150,531</u>	<u>149,730</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.

26. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the Group

Grant date	March 12, 2021	September 26, 2020	December 20, 2019	April 26, 2019	November 9, 2018	January 25, 2017	November 30, 2014	
Approval date by board of directors	August 7, 2020	August 7, 2020	April 26, 2019	August 8, 2018	August 8, 2018	November 3, 2016	July 17, 2014	
Grant unit	69,430	319,000	750,000	8,000	692,000	680,000	1,800,000	
Exercise price (NT\$) (Notes 1 and 2)	\$781	\$333.5	\$83.7	\$43.85	\$44.8	\$81.70	\$36.76	
Share per unit (Note 2)	1 ordinary share	1 ordinary share						
Granted to	The Company and subsidiaries' employees who meet specific requirements	The Company and subsidiaries' employees who meet specific requirements	The Company and subsidiaries' employees who meet specific requirements	The Company and subsidiaries' employees who meet specific requirements	The Company and subsidiaries' employees who meet specific requirements	The Company and subsidiaries' employees who meet specific requirements	The Company's 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 40% 3 years 30% 4 years 30%	3 month 40% 2 years 30% 3 years 30%
Life/duration on (years)	10	10	10	10	10	10	6	

The Company had passed the revision of its articles of incorporation regarding par value per share through its shareholders' meeting in August 2021. The par value per share had been changed from NT\$10 to NT\$5 and the related reissuance was completed in October 2021. For the change in par value per share, the exercise price was adjusted to 50% of the original exercise price, and the number of shares available for subscription was adjusted from 1 ordinary share to 2 ordinary shares.

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.

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			
	2021		2020	
	Number of Options (Units)	Weighted- average Exercise Price (\$)	Number of Options (Units)	Weighted- average Exercise Price (\$)
Balance at January 1	1,540,000	\$ 123.40	1,773,000	\$ 66.54
Options granted	69,430	781.00	319,000	333.50
Options exercised	(109,000)	57.26	(294,200)	61.41
Options expired	<u>(5,000)</u>	333.50	<u>(40,600)</u>	56.08
Balance at September 30	<u>1,495,430</u>	157.02	<u>1,757,200</u>	116.03
Options exercisable, end of period	<u>7,000</u>	73.18	<u>38,500</u>	73.18
Weighted-average fair value of options granted (\$)	<u>\$ 322.04</u>		<u>\$ 136.31</u>	

For the nine months ended September 30, 2021 and 2020, the weighted-average share prices at the date of exercise were NT\$654.5 and NT\$342.71, respectively.

Information about outstanding options was as follows:

September 30, 2021			December 31, 2020			September 30, 2020		
Issue Date	Exercise Price (NT\$)	Weighted Average Remaining Contractual Life (Years)	Issue Date	Exercise Price (NT\$)	Weighted Average Remaining Contractual Life (Years)	Issue Date	Exercise Price (NT\$)	Weighted Average Remaining Contractual Life (Years)
January 25, 2017	\$ 73.18	5.32	January 25, 2017	\$ 73.18	6.07	January 25, 2017	\$ 73.18	6.32
November 9, 2018	44.30	7.12	November 9, 2018	44.30	7.86	November 9, 2018	44.30	8.11
April 26, 2019	43.30	7.58	April 26, 2019	43.30	8.32	April 26, 2019	43.30	8.57
December 20, 2019	82.90	8.23	December 20, 2019	83.50	8.97	December 20, 2019	83.50	9.22
September 26, 2020	331.20	8.99	September 26, 2020	333.50	9.75	September 26, 2020	333.50	10.00
March 12, 2021	775.50	9.45						

Options granted in March 2021 and September 2020 were priced by using the binomial pricing model, and the inputs to the model were as follows:

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

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, 2021 and 2020 were \$6,841 thousand, \$2,405 thousand, \$19,347 thousand and \$6,890 thousand, respectively.

b. Restricted shares for employees

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

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

- 1) The grantee employees shall not sell, transfer, make gift of, create other rights or encumbrances on the restricted shares for employees, or otherwise dispose of the restricted shares for employees in any other manner.
- 2) All the proposal rights, motion rights, speech rights, voting rights and any other shareholder rights shall be exercised by the trustee or the custodian (as applicable).

- 3) The restrictions shall equally apply to unvested restricted share for employees and any share derived, directly or indirectly, from and cash distributed based on such unvested restricted share for employees for whatever reason, including share dividend, retained earning capitalization, reserve capitalization, cash dividend and distribution of capital reserve in the form of cash, and any interests.

Before employees reach the vesting conditions, the Company may retire such restricted share for employees at no consideration.

Information on the restricted shares for employees is as follows (for the nine months ended September 30, 2021: None):

	Number of Shares (In Thousands)
	For the Nine Months Ended September 30 2020
Balance at January 1	53
Shares vested	<u>(53)</u>
Balance at September 30	<u><u>-</u></u>

Compensation costs recognized for the nine months ended September 30, 2020 was \$1,120 thousand.

27. DISPOSAL OF SUBSIDIARIES

On March 2, 2020 and September 26, 2020, the Group approved to dispose of AP Holding and Zentel Japan, respectively. The equity transfer was completed on March 20, 2020 and November 30, 2020, on which dates control of AP Holding and Zentel Japan passed to the acquirer.

- a. Consideration received from disposals

	AP Holding	Zentel Japan
Consideration received in cash	<u>\$ 6,946</u>	<u>\$ 656,869</u>

- b. Analysis of assets and liabilities on the date control was lost

	AP Holding	Zentel Japan
Current assets		
Cash	\$ 17,135	\$ 195,480
Inventories	-	322,016
Trade receivables	-	176,371
Others	1,022	10,425
Non-current assets		
Right-of-use assets	-	2,657
Property, plant and equipment	11	1,032
Goodwill	-	76,204
Other intangible assets	-	68,278
Others	21	1,872

(Continued)

	AP Holding	Zentel Japan
Current liabilities		
Accounts payable	\$ -	\$ (610,338)
Lease liabilities - current	-	(1,712)
Advance receipts	(6,227)	(247)
Others	(1,031)	(1,036)
Non-current liabilities		
Lease liabilities - non-current	<u>-</u>	<u>(770)</u>
Net assets disposed of	<u>\$ 10,931</u>	<u>\$ 240,232</u> (Concluded)

c. Gain (loss) on disposal of subsidiaries

	AP Holding	Zentel Japan
Consideration received	\$ 6,946	\$ 656,869
Net assets disposed of	(10,931)	(240,232)
Non-controlling interests	-	22,979
Reclassification of other comprehensive income in respect of subsidiaries	<u>(1,554)</u>	<u>(11,267)</u>
(Loss) gain on disposals	<u>\$ (5,539)</u>	<u>\$ 428,349</u>

d. Net cash flows on disposals of subsidiaries

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

28. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On January 2, 2020, the Group disposed of 24% of its interest in Zentel Japan, and reduced its continuing interest from 100% to 76%.

The above transactions were accounted for as equity transaction, since the Group did not cease to have control over the subsidiary.

	Zentel Japan
Consideration received	\$ 180,460
Consideration received attribute to option (Note 11)	<u>(9,753)</u>
Consideration received attribute to share	170,707
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	(14,072)
Reattribution of other equity to non-controlling interests	
Exchange differences on translation of the financial statements of foreign operations	<u>(3,593)</u>
Differences recognized from equity transactions	<u>\$ 153,042</u> (Continued)

Line items adjusted for equity transactions

Capital surplus - difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	<u>\$ 153,042</u> (Concluded)
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29. 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.

30. 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, 2021

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

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 930,536	\$ -	\$ -	\$ 930,536
Equity instruments	<u>39,984</u>	<u>-</u>	<u>28,032</u>	<u>68,016</u>
	<u>\$ 970,520</u>	<u>\$ -</u>	<u>\$ 28,032</u>	<u>\$ 998,552</u>

September 30, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 370,158	\$ -	\$ -	\$ 370,158
Equity instruments	<u>-</u>	<u>-</u>	<u>44,427</u>	<u>44,427</u>
	<u>\$ 370,158</u>	<u>\$ -</u>	<u>\$ 44,427</u>	<u>\$ 414,585</u>

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

For the nine months ended September 30, 2021

Financial Assets	<u>Financial Assets at FVTPL Equity Instruments</u>
Balance at January 1, 2021	\$ 28,032
Recognized in profit or loss	<u>75,652</u>
Balance at September 30, 2021	<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>

For the nine months ended September 30, 2020

Financial Assets	<u>Financial Assets at FVTPL Equity Instruments</u>
Balance at January 1, 2020	\$ 45,179
Recognized in profit or loss	15,023
Decrease during the period	<u>(15,775)</u>
Balance at September 30, 2020	<u>\$ 44,427</u>
Unrealized gain for the current year included in profit or loss relating to assets held at the end of the period	<u>\$ 6,318</u>

Financial Liabilities	<u>Financial Assets at FVTPL Equity Instruments</u>
Balance at January 1, 2020	\$ -
Additions	9,753
Recognized in profit or loss	<u>(9,753)</u>
Balance at September 30, 2020	<u>\$ -</u>

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

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Unlisted company stock - domestic and foreign	<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>
Derivatives	The fair value of option was estimated by using binary option model and B-S-M model, and the significant unobservable inputs used are stock price volatility. When share price volatility increases, the fair value of these derivatives will increase.

c. Categories of financial instruments

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial assets</u>			
Financial assets at FVTPL			
Mutual funds	\$ -	\$ 930,536	\$ 370,158
Equity instruments	114,583	68,016	44,427
Assets measured at amortized cost (Note 1)	3,555,736	1,920,774	1,473,624
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (Note 2)	737,653	700,285	1,247,022

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

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

d. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

Several subsidiaries of the Group have foreign currency denominated sales and purchases, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the period are set out in Note 34.

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency-denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates a decrease in pre-tax profit associated with the functional currency strengthening 5% against the relevant currency. For a 5% weakening of the functional currency against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	USD Impact	
	For the Nine Months Ended	
	September 30	
	2021	2020
Loss*	<u>\$ 53,597</u>	<u>\$ 33,726</u>

* 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, 2021	December 31, 2020	September 30, 2020
Fair value interest rate risk			
Financial assets	\$ 1,239,726	\$ 447,603	\$ 67,399
Financial liabilities	91,861	130,060	110,094
Cash flow interest rate risk			
Financial assets	1,345,059	662,848	539,875
Financial liabilities	-	45,473	46,290

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, 2021 and 2020 would have increased by \$5,044 thousand and \$1,851 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, 2021 and 2020 were primarily from mutual funds and investments in equity instruments.

Sensitivity analysis

The sensitivity analysis below was determined based on the equity price at the end of the period. However, the mutual funds held by the Group are money market funds, and the risk of price fluctuation is very low, so they are not included in the sensitivity analysis.

If equity prices had been 1% higher/lower, pre-tax profit for the nine months ended September 30, 2021 and 2020 would have increased/decreased by \$5,729 thousand and \$2,221 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL (excluding mutual funds).

2) Credit risk

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

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

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

3) Liquidity risk

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

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

a) Liquidity and interest rate risk tables

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

September 30, 2021

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 3 Months	3 Months to 1 Year	1-5 Years
Non-interest bearing	-	\$ 694,382	\$ 31,272	\$ -
Lease liabilities	1.81	<u>12,011</u>	<u>26,430</u>	<u>55,543</u>
		<u>\$ 706,393</u>	<u>\$ 57,702</u>	<u>\$ 55,543</u>

December 31, 2020

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 3 Months	3 Months to 1 Year	1-5 Years
Non-interest bearing	-	\$ 403,395	\$ 166,277	\$ -
Fixed interest rate liabilities	0.72	85,237	-	-
Lease liabilities	2.09	5,089	16,262	25,765
Variable interest rate liabilities	2.21	<u>-</u>	<u>45,691</u>	<u>-</u>
		<u>\$ 493,721</u>	<u>\$ 228,230</u>	<u>\$ 25,765</u>

September 30, 2020

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 3 Months	3 Months to 1 Year	1-5 Years
Non-interest bearing	-	\$ 344,237	\$ 70,842	\$ 105,171
Fixed interest rate liabilities	0.88	100,193	-	-
Lease liabilities	2.45	1,584	7,573	1,177
Variable interest rate liabilities	2.21	-	47,202	-
Liabilities directly associated with disposal groups held for sale (Note)	-	<u>193,209</u>	<u>1,252</u>	<u>964</u>
		<u>\$ 639,223</u>	<u>\$ 126,869</u>	<u>\$ 107,312</u>

Note: The balances include non-interest bearing and lease liabilities.

b) Financing facilities

	September 30, 2021	December 31, 2020	September 30, 2020
Bank loan facilities			
Amount used	\$ -	\$ 130,613	\$ 146,290
Amount unused	<u>700,000</u>	<u>714,860</u>	<u>700,000</u>
	<u>\$ 700,000</u>	<u>\$ 845,473</u>	<u>\$ 846,290</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.

31. TRANSACTIONS WITH RELATED PARTIES

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

a. Related parties and their relationships

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

b. Operating revenue

Line Item	Related Party Category/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2021	2020	2021	2020
Sales	Associates	<u>\$ 4,570</u>	<u>\$ 5,206</u>	<u>\$ 4,887</u>	<u>\$ 7,352</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,	December 31,	September 30,
		2021	2020	2020
Trade receivables	Associates	<u>\$ 1,426</u>	<u>\$ -</u>	<u>\$ -</u>

d. Payables to related parties

Line Item	Related Party Category/ Name	September 30,	December 31,	September 30,
		2021	2020	2020
Other payables	Associates	<u>\$ -</u>	<u>\$ 398</u>	<u>\$ -</u>

e. Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Short-term employee benefits	\$ 19,419	\$ 8,727	\$ 57,312	\$ 30,451
Retirement benefit plans	139	202	718	838
Share-based payments	<u>1,013</u>	<u>-</u>	<u>3,006</u>	<u>529</u>
	<u>\$ 20,571</u>	<u>\$ 8,929</u>	<u>\$ 61,036</u>	<u>\$ 31,818</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.

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	September 30, 2021	December 31, 2020	September 30, 2020
Pledged deposits (classified as financial assets at amortized cost)	<u>\$ 2,745</u>	<u>\$ 60,215</u>	<u>\$ 61,430</u>

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of September 30, 2021, December 31, 2020 and September 30, 2020 were as follows:

a. Significant commitments

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

b. Contingencies

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. The litigation result is highly uncertain and cannot yet be estimated.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES (INCLUDING DISPOSAL GROUPS HELD FOR SALE)

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, 2021

	Foreign Currencies	Exchange Rates	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
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>
Non-monetary items			
Investments in equity instruments at			
FVTPL			
RMB	22,609	4.305 (RMB:NTD)	<u>\$ 97,334</u>
<u>Financial liabilities</u>			
Monetary items			
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>

December 31, 2020

	Foreign Currencies	Exchange Rates	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 45,875	28.48 (USD:NTD)	\$ 1,306,529
USD	57	6.5249 (USD:RMB)	<u>1,609</u>
			<u>\$ 1,308,138</u>
Non-monetary items			
Investments in equity instruments at FVTPL			
RMB	6,262	4.377 (RMB:NTD)	<u>\$ 27,243</u>
<u>Financial liabilities</u>			
Monetary items			
USD	8,002	28.48 (USD:NTD)	\$ 227,883
USD	1,592	6.5249 (USD:RMB)	<u>45,473</u>
			<u>\$ 273,356</u>

September 30, 2020

	Foreign Currencies	Exchange Rates	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 43,026	29.1 (USD:NTD)	\$ 1,252,059
USD	9,614	105.59 (USD:JPY)	<u>279,773</u>
			<u>\$ 1,531,832</u>
Non-monetary items			
Investments in equity instruments at FVTPL			
RMB	6,201	4.362 (RMB:NTD)	<u>\$ 27,051</u>
<u>Financial liabilities</u>			
Monetary items			
USD	8,215	29.1 (USD:NTD)	\$ 239,060
USD	19,655	105.59 (USD:JPY)	571,959
USD	1,592	6.8101 (USD:RMB)	<u>46,290</u>
			<u>\$ 857,309</u>

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

Foreign Currency	For the Three Months Ended September 30			
	2021		2020	
	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)
USD	27.858 (USD:NTD)	\$ 6,861	29.45 (USD:NTD)	\$ (19,092)
USD	6.4711 (USD:RMB)	(166)	6.9194 (USD:RMB)	3,875
USD	-	-	106.0752 (USD:JPY)	5,985
JPY	0.2531 (JPY:NTD)	650	0.2776 (JPY:NTD)	(243)
EUR	32.850 (EUR:NTD)	(1)	-	-
		<u>\$ 7,344</u>		<u>\$ (9,475)</u>

Foreign Currency	For the Nine Months Ended September 30			
	2021		2020	
	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)
USD	28.067 (USD:NTD)	\$ (18,014)	29.817 (USD:NTD)	\$ (33,074)
USD	6.4715 (USD:RMB)	566	6.9926 (USD:RMB)	3,180
USD	-	-	107.4874 (USD:JPY)	8,824
JPY	0.2589 (JPY:NTD)	1,804	0.2774 (JPY:NTD)	(381)
EUR	33.590 (EUR:NTD)	(2)	-	-
		<u>\$ (15,646)</u>		<u>\$ (21,451)</u>

35. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. Information on investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures). (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 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 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)

- 9) Trading in derivative instruments. (None)
 - 10) Other: Intercompany relationships and significant intercompany transactions. (Table 7)
 - 11) Information of investees. (Table 8)
- b. Information on investments in mainland China:
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 9)
 - 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 7)
 - c) The amount of property transactions and the amount of the resultant gains or losses (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (Table 2)
 - 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 7)
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10)

36. 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.

For the nine months ended September 30, 2020, the Group was organized and managed as a single operation segment. The operating revenue of an operating segment accounts for up to 90% of the Group's total revenue, the Group is considered as having only one reportable segment. Thus, the information of separate operating segments for the nine months ended September 30, 2020 is not applicable.

Since January 1, 2021, in response to the adjustment of organizational structure, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

IoT business unit - mainly in sales of integrated circuit products
 AI business unit - mainly in IP licensing

a. Segment revenue and results

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

	IOT	AI	Total
For the nine months ended <u>September 30, 2021</u>			
Segment revenue	\$ 4,359,818	\$ 519,897	\$ 4,879,715
Segment costs	<u>(2,463,250)</u>	<u>(184,106)</u>	<u>(2,647,356)</u>
Segment income	<u>\$ 1,896,568</u>	<u>\$ 335,791</u>	2,232,359
Operating expenses			<u>(486,255)</u>
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 22.

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 1)	Note
													Item	Value			
0	AP Memory Technology Corporation	Zentel Japan Corporation	Other receivables	No (Note 2)	\$ 417,750	\$ 417,750	\$ 130,180	0.37	Business relationship	\$ 84,075	-	\$ -	-	\$ -	\$ 847,683	\$ 1,695,366	

Note 1: According to the Company's procedures of loaning funds to others, in the provision of loans due to business dealings, total financing amount should not exceed 40% of the Company's net equity, and individual financing amount should not exceed 20% of the Company's net equity. The aforementioned net value is calculated based on the net value of the Company on September 30, 2021.

Note 2: The Company's board of directors approved financing to Zentel Japan on September 26, 2020, and the trade receivables exceeding the normal credit term was reclassified as other receivables. The Company is expected to retrieve all the receivables in batches before December 31, 2021.

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	AP Memory Technology Corporation	Zentel Electronics Corporation	2	\$ 1,271,524	\$ 100,000	\$ -	\$ -	\$ -	-	\$ 2,119,207	Y	N	N	
		AP Memory Technology (Hong Kong) Limited Co.	2	1,271,524	27,850	27,850	-	-	0.66	2,119,207	Y	N	N	
1	Zentel Electronics Corporation	AP Memory Technology (Hangzhou) Limited Co.	4	22,725	55,700	-	-	-	-	37,876	N	N	Y	

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

Note 2: The nature of the relationship between the endorser/guarantor and the endorsee/guarantee are represented by the following numerals:

- No. 1 - companies with business transactions.
- No. 2 - a subsidiary directly holding over 50% of the ordinary shares.
- No. 3 - a parent and subsidiary collectively holding over 50% of the ordinary shares of the investee company.
- No. 4 - a parent company holding 90% of the commons shares directly or through a subsidiary indirectly.
- No. 5 - companies (based on the contractual project requirements of the same industry) with contractual mutual guarantees.
- No. 6 - companies guaranteed by their respective shareholdings in accordance with mutual investment relations.
- No. 7 - companies engaged in performance guarantees of contracts related to the pre-sale of real estate in accordance with the Consumer Protection Law.

Note 3: The total amount of guarantee shall not exceed 50% of AP Memory Technology Corporation and Zentel Electronics Corporation's net value. The total amount of the guarantee provided by AP Memory Technology Corporation and Zentel Electronics Corporation to any individual entity shall not exceed 20% of AP Memory Technology Corporation and Zentel Electronics Corporation's net value.

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES)

SEPTEMBER 30, 2021

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

Holding Company Name	Marketable Securities Type/Name and Issuer (Note)	Relationship with the Holding Company	Financial Statement Account	September 30, 2021				Note
				Shares or Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value	
AP Memory Technology Corporation	<u>Equity investments in quoted shares</u> Powerchip Semiconductor Manufacturing Corp.	-	Financial assets at FVTPL - non-current	168,560	\$ 10,899	0.005	\$ 10,899	
	<u>Unlisted shares</u> Haining Changmeng Tachnology Partnership Enterprise (Limited Partnership)	-	Financial assets at FVTPL - non-current	-	97,334	24.64	97,334	
	GeneASIC Technologies Corporation	-	Financial assets at FVTPL - non-current	500,000	6,350	14.64	6,350	

Note: Refer to Tables 8 and 9 for information about subsidiaries and associates.

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

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

Company Name	Type and Name of Marketable Securities (Note 1)	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	Beginning Balance (Note 1)		Acquisition (Note 3)		Disposal (Note 3)				Ending Balance	
					Number of Shares (In Thousands)	Amount	Number of Shares (In Thousands)	Amount	Number of Shares (In Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares (In Thousands)	Amount
AP Memory Technology Corporation & Zentel Electronics Corp.	Trust fund beneficiary certificates													
	CTBC Hwa-win Money Market Fund	Financial assets at FVTPL - current	-	-	30,643,340	\$ 340,371	-	\$ -	30,643,340	\$ 340,764	\$ 340,371	\$ 393	-	\$ -
	Mega Diamond Money Market Fund	Financial assets at FVTPL - current	-	-	26,889,131	340,145	-	-	26,889,131	340,672	340,145	527	-	-
Zentel Electronics Corp.	Jih Sun Money Market Fund	Financial assets at FVTPL - current	-	-	16,723,750	250,020	-	-	16,723,750	250,458	250,020	438	-	-

Note 1: Marketable securities in the table refer to shares, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

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, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Payable or Receivable		Note
			Purchase (Sale)	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Limited Co.	Sub-subsidiary	Sale	\$ (1,030,224)	(21.06)	Net 30 days after monthly closing	\$ -	-	\$ 152,049	20.37	Note 2
	AP Memory Technology (Hangzhou) Limited Co.	Subsidiary	Sale	(198,267)	(4.05)	Net 30 days after monthly closing	-	-	8,415	1.13	Note 2

Note 1: Transactions between each party shall be dealt according to the payment and trade terms agreed by both parties.

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

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

SEPTEMBER 30, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note)	Allowance for Impairment Loss
					Amount	Action Taken		
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Limited Co.	Sub-subsidiary	\$ 152,049	9.04	\$ -	-	\$ -	\$ -

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

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Number	Company Name	Counterparty	Flow of Transaction (Note 1)	Transaction Details			Percentage of Transaction Amount to Consolidated Operating Revenue or Total Assets (%)
				Account	Amount	Transaction Terms	
0	AP Memory Technology Corporation	AP Memory Corp, USA	1	Research and development expenses	\$ 47,327	Note 5	0.97
		AP Memory Corp, USA	1	Other payables	15,073	Note 5	0.27
		AP Memory Technology (Hangzhou) Limited Co.	1	Operating revenue	198,267	Note 5	4.06
		AP Memory Technology (Hangzhou) Limited Co.	1	Trade receivables	8,415	Note 5	0.15
		AP Memory Technology (Hong Kong) Limited Co.	1	Sales	1,030,224	Note 5	21.11
		AP Memory Technology (Hong Kong) Limited Co.	1	Trade receivables	152,049	Note 5	2.71
1	AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Limited Co.	3	Service revenue	68,334	Note 5	1.40
		AP Memory Technology (Hong Kong) Limited Co.	3	Trade receivables	7,965	Note 5	0.14

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, 2021
(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, 2021			Net (Loss) Income of the Investee (Note 2)	Share of (Loss) Profit (Notes 2 and 3)	Note
				September 30, 2021	December 31, 2020	Number of Shares	Percentage of Ownership (%)	Carrying Amount (Notes 1 and 3)			
AP Memory Technology Corporation	AP Memory Corp, USA	Suite 251,BG Plaza,3800 S.W. Cedar Hills Blvd, Beaverton OR. 97005, USA	IC research and development services	\$ 60,521 (US\$ 2,000,000)	\$ 60,521 (US\$ 2,000,000)	2,000,000	100	\$ 33,656	\$ (10,628) (US\$ (378,677))	\$ (10,628)	Subsidiary
	Zentel Electronics Corp.	10F-1, No. 1, Taiyuan 1st St., Zhubei City, Hsinchu County	IC research, development and sales	306,798	705,798	100,000	100	75,752	5,599	5,599	Subsidiary
	Lyontek Inc.	No. 17, Industry East 2nd Road, East District, Hsinchu City	IC research, development and sales	75,060	75,060	3,600,000	30	81,942	24,789	7,437	Associate
AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited	Rm.19C,Lockhart Ctr.,301-307 Lockhart Rd., Wan Chai, Hong Kong	Sale of ICs	275 (US\$ 10,000)	-	10,000	100	5,152	4,903 (US\$ 174,675)	4,903	Subsidiary (Note 5)

Note 1: Translation was based on the exchange rate at September 30, 2021.

Note 2: Translation was based on the average exchange rate for the nine months ended September 30, 2021.

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

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

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

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(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, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2021 (Note 1)	Net Income (Loss) of the Investee (Note 3)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 3 and 5)	Carrying Amount as of September 30, 2021 (Notes 4 and 5)	Accumulated Inward Remittance of Earnings as of September 30, 2021	Note
					Outward	Inward							
AP Memory Technology (Hangzhou) Limited Co	IC research, development and sales	\$ 30,344 (US\$ 1,000,000)	Note 2	\$ 30,344 (US\$ 1,000,000)	\$ -	\$ -	\$ 30,344 (US\$ 1,000,000)	\$ 62,840 (RMB 14,489,221)	100	\$ 62,840	\$ 88,808	\$ -	

Accumulated Investments in Mainland China as of September 30, 2021	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 30,344 (US\$ 1,000,000)	\$ 58,194 (US\$ 2,000,000)	\$ 2,543,049 (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, 2021.

Note 4: Translation was based on the exchange rate at September 30, 2021.

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, 2021, in accordance with Letter No. 09704604680 issued by the Ministry of Economic Affairs.

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

AP MEMORY TECHNOLOGY CORPORATION**INFORMATION OF MAJOR SHAREHOLDERS
SEPTEMBER 30, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Shanyi Investment Co., Ltd.	13,228,334	17.79

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.