



AP Memory Technology Corporation

Annual Report 2022

Notice to readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Annual report is available at:

Taiwan Stock Exchange Market Observation Post System: <https://emops.twse.com.tw/server-java/t58query>

Company official website:

<https://www.apmemory.com/zh-hant/investors/annual-reportnew/>

Printed on April 30, 2023

I. Company spokesman and acting spokesman:

	<u>Spokesman</u>	<u>Acting Spokesman</u>
Name:	Lin, Yu-Hsin	Hung, Chih-Hsun
Job Title:	CFO	President
Tel.:	+886-3-560-1651	+886-3-560-1651
Email:	ir@apmemory.com	ir@apmemory.com

II. Company Address and Tel. No. :

Address: 10F-1, No1 Taiyuan 1st St., Zhubei City, Hsinchu County 30288, Taiwan

Tel.: +886-3-560-1558

III. Shares Register:

Name: KGI Security

Address: 5F, No. 2, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City, Taiwan.

Website: www.kgi.com.tw

Tel.: +886-2-2389-2999

IV. Certificated CPA

Name: CPA Chien, Ming-Yen 、 CPA Chiu, Cheng-Chun

Office: Deloitte & Touche

Address: 20F., No. 100, Songren Rd., Sinyi Dist., Taipei City, Taiwan

Website: www.deloitte.com.tw

Tel.: +886-2-2725-9988

V. Name of any exchanges where the Company's securities are traded offshore, and the method:

Luxembourg Stock Exchange

by which to access information on said offshore securities:

<https://www.bourse.lu/home>

VI. Company Website: <https://www.apmemory.com>

INDEX

I	LETTER TO SHAREHOLDERS	1
II	COMPANY PROFILE	5
	1. COMPANY PROFILE.....	5
	2. COMPANY HISTORY	5
III	CORPORATE GOVERNANCE REPORT	7
	1. ORGANIZATION SYSTEM	7
	2. INFORMATION OF DIRECTORS, SUPERVISORS, PRESIDENT, VICE PRESIDENT, ASSISTANT VICE PRESIDENT, HEAD OF EACH DEPARTMENT AND BRANCH.....	9
	3. COMPENSATION PAID TO THE DIRECTORS, PRESIDENT, AND VICE PRESIDENT.....	16
	4. OPERATION OF CORPORATE GOVERNANCE.....	20
	5. INFORMATION OF AUDIT FEE	40
	6. INFORMATION ON REPLACEMENT OF CPA:.....	40
	7. THE COMPANY’S CHAIRMAN, PRESIDENT, AND MANAGERS IN CHARGE OF ITS FINANCE OR ACCOUNTING OPERATIONS HOLDS ANY POSITIONS WITHIN THE COMPANY’S INDEPENDENT AUDIT FIRM OR ITS AFFILIATES	40
	8. ANY TRANSFER OF EQUITY INTERESTS AND PLEDGE OF OR CHANGE IN EQUITY INTERESTS BY ANY DIRECTOR, SUPERVISOR, MANAGERIAL OFFICERS, AND SHAREHOLDER WITH 10% SHAREHOLDINGS OR MORE	40
	9. RELATIONSHIP INFORMATION, IF AMONG THE COMPANY’S 10 LARGEST SHAREHOLDERS ANY ONE IS A RELATED PARTY OR IS THE SPOUSE OR A RELATIVE WITHIN THE SECOND DEGREE OF KINSHIP OF ANOTHER	42
	10. NUMBER OF SHARES HELD IN ANY RE-INVESTMENT ENTERPRISE BY THE COMPANY, ITS DIRECTORS, SUPERVISORS, MANAGEMENT, AND ANY ENTERPRISE DIRECTLY OR INDIRECTLY CONTROLLED BY THE COMPANY; CALCULATE THE CONSOLIDATED SHAREHOLDING PERCENTAGE OF THE ABOVE CATEGORIES.	43
IV	FUNDRAISING	44
	1. CAPITAL AND SHARES	44
	2. CORPORATE BONDS	48
	3. PREFERRED SHARES.....	48
	4. DEPOSITARY RECEIPT:.....	48
	5. STATUS OF EMPLOYEE STOCK OPTIONS PLAN	49
	6. NEW RESTRICTED STOCK AWARD SHARES ISSUED TO EMPLOYEES	51
	7. STATUS OF NEW SHARE ISSUANCE IN CONNECTION WITH MERGERS OR ACQUISITIONS	51
	8. IMPLEMENTATION OF FUNDING UTILIZATION PLAN.....	51
V	OPERATION OVERVIEW	54
	1. BUSINESS ACTIVITIES.....	54

2. MARKET AND PRODUCTION AND SALES OVERVIEW	60
3. NUMBER OF EMPLOYEES IN THE LAST TWO YEARS	66
4. INFORMATION ON ENVIRONMENTAL PROTECTION EXPENSES	66
5. LABOR-MANAGEMENT RELATIONSHIP	66
6. MATERIAL CONTRACTS	67
7. CYBER SECURITY MANAGEMENT	68
VI FINANCIAL OVERVIEW	69
1. SUMMARY BALANCE SHEET AND COMPREHENSIVE INCOME STATEMENT	69
2. FINANCIAL ANALYSIS	73
3. AUDIT COMMITTEE'S AUDIT REPORT	77
4. CONSOLIDATED FINANCIAL REPORT FOR THE MOST RECENT PERIOD, AUDITED AND ATTESTED BY A CERTIFIED PUBLIC ACCOUNTANT	78
5. STANDALONE FINANCIAL REPORT FOR THE MOST RECENT PERIOD, AUDITED AND ATTESTED BY A CERTIFIED PUBLIC ACCOUNTANT	78
6. IF THE COMPANY AND ITS AFFILIATED COMPANIES HAVE ANY FINANCIAL DIFFICULTIES, THE IMPACTS ON THE COMPANY'S FINANCIAL SITUATION SHOULD BE LISTED	78
VII REVIEW AND ANALYSIS OF FINANCIAL CONDITIONS AND FINANCIAL PERFORMANCE AND RISK ISSUES	79
1. FINANCIAL STATUS	79
2. FINANCIAL PERFORMANCE	80
3. CASH FLOWS	81
4. IMPACTS OF MAJOR CAPITAL EXPENDITURES ON FINANCIAL OPERATIONS IN THE MOST RECENT YEAR ..	81
5. THE INVESTMENT POLICY, THE MAIN REASONS FOR PROFIT OR LOSS, AND IMPROVEMENT PLANS IN THE MOST RECENT YEAR AND INVESTMENT PLANS FOR THE COMING YEAR	81
6. RISK MATTER ASSESSMENT IN THE MOST RECENT YEAR AND AS OF THE PRINTING DATE OF THE ANNUAL REPORT	82
7. OTHER IMPORTANT MATTERS	87
VIII SPECIAL NOTES	88
1. INFORMATION ABOUT AFFILIATED ENTERPRISES	88
2. PRIVATE PLACEMENT OF SECURITIES IN THE MOST RECENT YEAR AND AS OF THE PRINTING DATE OF THE ANNUAL REPORT	90
3. THE SHARES IN THE COMPANY HELD OR DISPOSED OF BY SUBSIDIARIES IN THE MOST RECENT YEAR AND AS OF THE PRINTING DATE OF THE ANNUAL REPORT	90
4. OTHER REQUIRE SUPPLEMENTARY INFORMATION	90
IX MATTERS THAT HAVE MATERIAL IMPACTS ON SHAREHOLDERS' EQUITY OR SECURITIES PRICE AS DEFINED IN SUBPARAGRAPH 2, PARAGRAPH 3, ARTICLE 36 OF THE SECURITIES AND EXCHANGE ACT	90

I Letter to Shareholders

AP Memory had a challenging year in 2022, especially in the second half of the year. The semiconductor industry macro environment took a sharp turn from supply shortage to inventory overhang and weak demand. AP Memory's business is impacted by this macro environment challenge. However, our financial performance remains strong, partially aided by foreign exchange gains from our substantial US dollar cash position.

On consolidated basis, AP Memory earned NT\$1,942 million (NT\$12.09 per share) in net income in 2022. Compared to 2021 net income of NT\$2,025 million (NT\$13.67 per share), the company's net income decreased by 4%, and earnings per share decreased by 12% partially due to the dilutive effects of GDR (Global Depository Receipts) equity fundraising. Excluding impact of foreign exchange gains resulting from GDR funds, net income decreased by 23%. Revenue decreased from NT\$6.6 billion to NT\$5.1 billion, by 23%, in the same period. Gross margin rate remained relatively stable, at 44% for the full year.

	Unit : In Thousands of New Taiwan Dollars			
	2022 (A)	2021(B)	Δ AMT(C=A-B)	Δ %(C/B)
Revenue	5,094,775	6,617,215	(1,522,440)	(23%)
Gross Profit Margin (%)	44%	46%	(2%)	(4%)
Operating Expense	720,874	655,451	65,423	10%
Operating Expenses Rate (%)	15%	10%	5%	50%
Operating Income	1,500,520	2,370,157	(869,637)	(37%)
Non-Operating P/L	948,763	144,109	804,654	558%
Net Income before Tax	2,449,283	2,514,266	(64,983)	(3%)
Net Income	1,941,696	2,025,457	(83,761)	(4%)
Net income(%)	38%	31%	7%	23%
EPS(NT\$)	12.09	13.67	(1.58)	(12%)

Inventory level increased in response to YoY revenue growth through the first half of 2022. As demand softened in the second half, we took proactive steps to control our inventory level. The 2022 year-end inventory is valued at NT\$1.5 billion, a 10% decrease from the end of 2021.

In January 2022, we completed a GDR offering, raising net proceeds of about US\$190 million, at a cost of 7.9% of equity share dilution. As a result, our balance sheet further strengthened from the end of 2021. Cash and cash equivalents represent 70% of our assets. Net shareholder equity increased by 128% from the end of 2021, to NT\$11 billion.

	Unit : In Thousands of New Taiwan Dollars			
	2022 (D)	2021 (E)	Δ AMT(F=D-E)	Δ %(F/E)
Cash and cash equivalents	8,182,432	2,517,447	5,664,985	225%
Inventories	1,528,392	1,696,621	(168,229)	(10%)
Current assets	10,446,618	5,124,533	5,322,085	104%
Financial assets at FVTPL	256,007	141,989	114,018	80%
Total assets	11,691,311	6,278,643	5,412,668	86%
Accounts Payables	149,961	600,046	(450,085)	(75%)
Total liabilities	740,744	1,483,688	(742,944)	(50%)
Capital	808,634	746,997	61,637	8%
Total equity	10,950,567	4,794,955	6,155,612	128%

■ Macro Environment Challenges

In 2021, due partially to COVID-related strong demand, the semiconductor industry witnessed a severe shortage of production capacity. As a result, many customers increased inventory in anticipation of prolonged shortages, further exacerbating the supply shortage. This trend lasted through the first quarter of 2022. By the middle of 2022, it became increasingly clear that the supply shortage was easing and demand was softening. Customers with increased inventory took a sharp turn in their purchasing decisions, from adding to inventory to controlling or reducing inventory. This resulted in the dramatic fall in demand.

More globally, war in Europe, US-China trade-war, global inflationary pressure, and persistent COVID restrictions, all contributed to weak consumer demand.

In IoT BU, inventory level at key customers was high at the end of third quarter. Demand, especially for consumer wearables, was weak. This weakness is expected to persist in the first part of 2023.

In AI BU, where most of our production revenue is from cryptocurrency mining market, had a unique challenge of its own. The cryptocurrency Ethereum underwent a consensus mechanism change from Proof-of-Work to Proof-of-Stake. This change effectively reduced the size of the market that we are in. The general cryptocurrency market is also experiencing a downturn. Many of our customers became more cautious in their demand forecast.

However, like all previous down cycles, this down cycle will pass in time. We will continue to invest in our future, and will emerge from this down cycle stronger than ever.

■ Pause in IoT BU Revenue Growth

Our IoT Business Unit, which supplies cost-effective IoTRAM products to IoT market worldwide, took a pause in revenue growth in 2022, on the heels of triple digit growth in 2021 and amid difficult macro environment. IoT BU revenue decreased 27% from NT\$5,845 million in 2021 to NT\$4,281 million in 2022. This pause in growth is primarily due to the macro environment mentioned in the previous section. The underlying IoT market is still on a long-term growth trend, and our market position and brand recognition in IoTRAM is still strong.

Our IoTRAM is a family of non-JEDEC standard products, optimized for optimal cost and performance for target applications. Our customers must design in our memory interface in order to use our products. Conversely, customers cannot easily replace our products with competitors' products without significant effort. Due to the customized nature of our products, our product pricing is not significantly correlated with commodity memory. In the current ongoing industry downturn, our gross margin rate has remained relatively stable.

Despite of the current difficult business environment, we believe the strength of our IoTRAM product portfolio and growth of IoT market will take us back to the long-term growth trajectory.

■ Promising Opportunities in AI Business Unit

AI BU achieved revenue of about NT\$813 million, a 5% growth from \$773 million in 2021. This achievement is especially remarkable given the difficult business environment.

While the majority of our 2022 revenue was derived from cryptocurrency market, which is experiencing some challenges, our VHM™ technology is gaining interest from some of the most important industry players. We started proof-of-concept (POC) projects with multiple partners for non-cryptocurrency applications. While these POC projects are still far away from volume production, we believe they represent promising opportunities for our VHM™ technology.

Particularly interesting is the emergence of very large model AI algorithms such as GPT-3 which has gathered some media attention lately. Such algorithms rely on hardware designs that require ever-growing bandwidth, capacity, and energy efficiency. The growth trajectory of such requirements will undoubtedly lead to mainstream adoption of 3D technology. We are well positioned to be a key participant in this technology revolution.

■ Stronger Organization for the Future

In 2022, we made some organizational changes to further sharpen our focus. Dr. Hung, Chih-Hsun, formerly Senior VP and IoT BU General Manager, took over the position of President, while Dr. Chen, Wen-Liang remains Chairman and CEO. By separating the role of President, which leads day-to-day operation, from that of Chairman/CEO, which focuses more on strategic directions, we are positioning our company better for future growth.

We elected a new independent director in 2022 General Shareholders Meeting, Dr. Elizabeth Sun. Dr. Sun is a legend in the fields of corporate communications and investor relations. Dr. Sun joins three other esteemed independent directors, Robbins Yeh, Sarah Wang, and Frank Liu. The new board, with four independent directors out of seven seats, is taking our company to a new level of corporate governance.

■ GDR Fundraising and Share Dilution

The \$190M GDR offering that we completed in January, 2022 resulted in a 7.9% share dilution. This is a decision we took after careful consideration of our future capital needs and cost of such capital. While we have not significantly deployed this capital due to various macroeconomic and geopolitical reasons, we believe this capital provides the necessary ammunition for our battle for dominance in the market.

Besides the recent GDR offering, the other source of share dilution has been the ongoing employee incentive stock plans, including the employee option and restricted stockgrants. Since 2019, the total numbers of shares granted annually has been in the range of 0.2-0.4%. We firmly believe that this represents a good balance between incentivizing employees and maximizing long-term shareholder value.

■ Cautious Outlook for 2023 and Long-term Optimism

Early in 2023, we are seeing a continued weakness in demand. While we anticipate a turn-around in 2nd half of 2023, we remain cautious for the full year. We are taking necessary steps to control cost while expanding revenue opportunities.

The year 2022 saw wild swings in USD/NTD exchange rate. In the first three quarters, USD appreciated approximately 15% against NTD, which resulted in NT\$961 million of foreign exchange gains for AP Memory. However in the fourth quarter, USD depreciated substantially against NTD, and resulted in NT\$260 million in foreign exchange loss for AP Memory.

While these foreign exchange gains and losses have substantial impact to our income statement, their real world impact is limited. For this and cost reasons, we currently don't engage in any foreign currency hedging contracts.

Despite the short term moderation in growth, we are more optimistic than ever in our long-term growth prospects. In 2023, we strive to solidify our leadership, and continue to innovate and deliver financial results for our shareholders.

We deeply appreciate the support and encouragement of our shareholders, as well as that of our customers, suppliers, employees, and other ecosystem partners.

Chairman: Chen, Wen-Liang

President: Hung, Chih-Hsun

II Company Profile

1. Company Profile

AP Memory Technology Corporation (“AP Memory” or the “Company”) was established in the Republic of China on August 4, 2011, and was listed and traded on the Taiwan Stock Exchange on May 31, 2016. The Company is engaged in the development, design, licensing, manufacturing, and sales of customized memory chip products and technologies and is the world’s leading manufacturer of non-standard memory chip design. The Company is headquartered in Hsinchu County, Taiwan, and has R&D and sales sites in the United States, China, Hong Kong and Japan. With the professional experience accumulated by our R&D team for a long time, the Company has been actively building up the technical development capability and is customer-oriented to provide a variety of memory-related customized products and design services according to customer needs.

2. Company History

2011

- Aug.** AP Memory is established in Zhubei City, Hsinchu County. The registered capital of AP Memory is NTD580,000, and the paid-up capital is NTD580,000.
- Dec.** The Ministry of Economic Affairs approved an increase in registered capital to NTD34,500 thousand. AP Memory’s cash capital was increased to NTD29,420 thousand. The paid-up capital after the capital increase was NTD30,000 thousand.

2012

- Mar.** The Board of Directors passed the resolution to establish AP Memory Corp., USA, a 100% subsidiary, for USD250 thousand.
- May** The Ministry of Economic Affairs approved an increase in registered capital to NTD100,000 thousand. AP Memory transferred its surplus to increase the capital to NTD52,500 thousand. The paid-up capital after the capital increase was NTD82,500 thousand.

2015

- Apr.** The registration of public issuance became effective.
- Jun.** Over-the-counter trading on the Taipei Exchange was approved by the Taipei Exchange.
- Jul.** AP Memory Holding Co., Ltd, a 100% subsidiary, was established in the Republic of Seychelles.
- Oct.** AP Memory transferred its surplus to increase the capital to NTD294,079 thousand. The paid-up capital after the capital increase was NTD621,853 thousand.
- Oct.** AP Memory Electronics (Beijing) Co., Ltd. was established through AP MEMORY HOLDING Co., Ltd.

2016

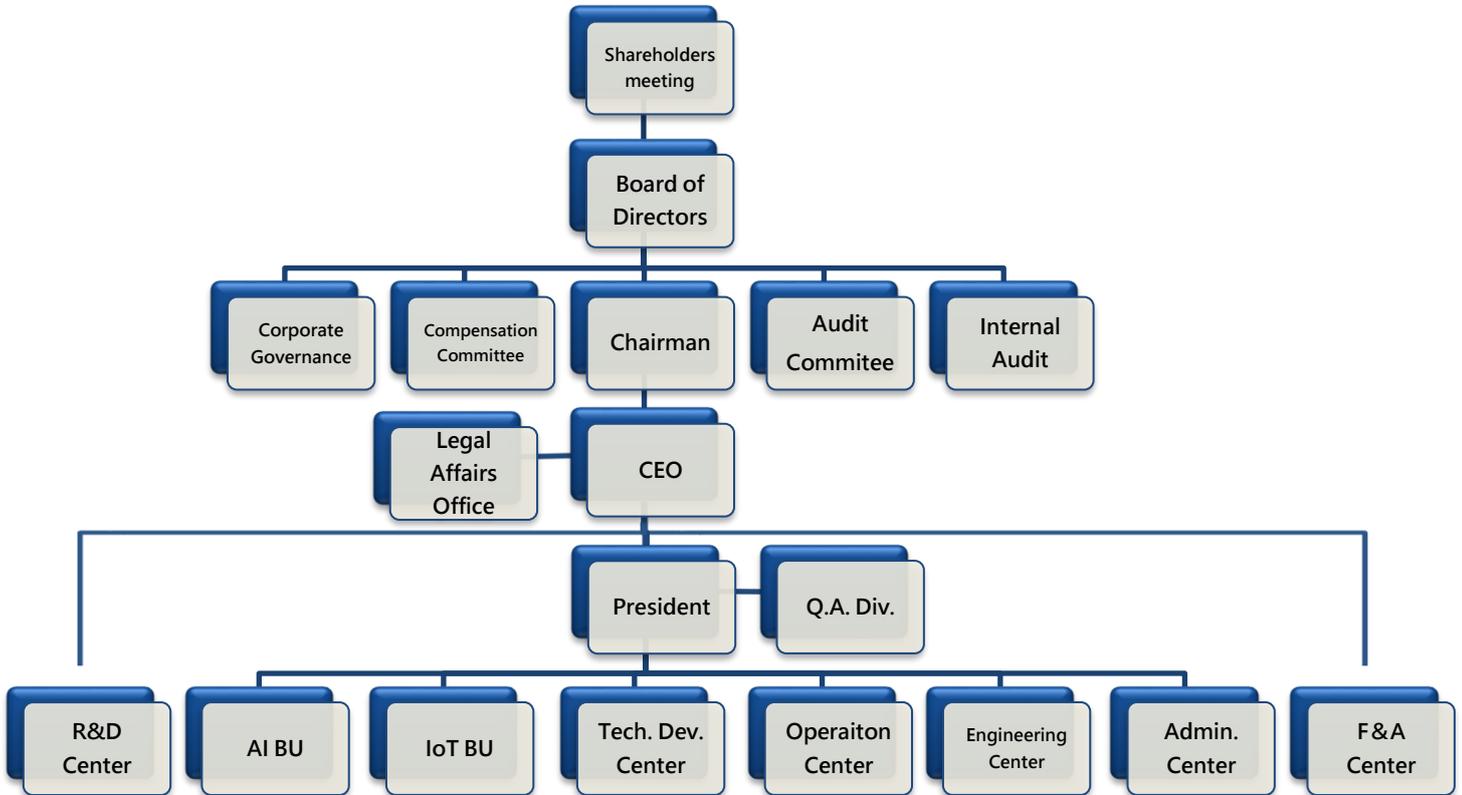
- Feb.** The listing application was approved by the Taiwan Stock Exchange Committee.
- May** Before the listing, AP Memory increased its capital by cash amounted to 71,830 thousand shares. The paid-up capital after the capital increase was NTD700,433 thousand.
- May** AP Memory was officially listed and traded on the Taiwan Stock Exchange.
- Sep.** To integrate resources and bring economies of scale into play, with the approval of the Board of Directors, the public acquisition of Zentel Electronics Corporation (3553.TW, hereinafter referred to as “Zentel”) commenced on September 6, 2016 and ended on October 25, 2016.

	Nov.	AP Memory completed the closing of the public acquisition of Zentel, and Zentel became a subsidiary of AP Memory in which 55.24% of shares were held.
2017	Jun.	AP Memory reelected seven directors for the third term at the regular meeting of shareholders, including three independent directors, and it established an audit committee to replace the supervisor's function, so as to achieve the effect of corporate governance.
	Oct.	Taking October 1, 2017 as the basis date for the conversion of shares, Zentel became a 100% owned subsidiary of AP Memory and terminated its listing and public issuance.
2018	Jun.	In accordance with the Group's operation plan, AP Memory Technology (Hangzhou) Corporation was established in Hangzhou, China.
	Oct.	Repurchase of treasury shares amounting to 258,000 shares for transfer to employees.
2019	May	In order to protect AP Memory's credit and shareholders' equity, AP Memory bought back 1,500,000 of its treasury shares and completed the registration of capital reduction in August, 2019.
	Aug.	In accordance with the Group's operation plan, the Board of Directors decided to liquidate Zentel Electronics (Shenzhen) Corporation, a sub-subsidiary of AP Memory.
	Oct.	In accordance with the Group's operation plan, AP Memory Technology (Hong Kong) Co. Limited was established in Hong Kong.
	Dec.	In order to raise strategic investment funds, the Board of Directors resolved to sell 24% of its shares in Zentel Japan Corp.
2020	Mar.	As part of the restructuring of its investment structure, AP Memory sold 100% of its shares in AP Memory Holding Co., Ltd. And also lost its control of AP Memory Electronics (Beijing) Co., Ltd.
	Jun.	AP Memory reelected its directors for the fourth term at the general shareholders' meeting.
	Sep.	In accordance with the Group's operation plan, AP Memory sold remaining equity shares of its shares in Zentel Japan Corp.
2021	Aug.	The par value of each share was changed from NT\$10 to NT\$5 per resolution of the shareholders' meeting.
	Oct.	Complete the change of the par value and the outstanding shares increased from 74,340 thousand shares to 148,681 thousand shares.
	Dec.	The 1 st Extraordinary Shareholders' Meeting resolved to issuance of new common shares by cash capital increase for sponsoring Global Depository Receipts(GDRs) issuance.
2022	Jan.	Completed the pricing and issuance of GDRs, with a total of 12,800,000 common shares issued for sponsoring 6,400,000 units of GDRs issued, raising US\$189,760 thousand in cash.
	Feb.	Retirement of treasury shares purchased in October, 2018 and completed the registration of capital reduction in April, 2022.

III Corporate Governance Report

1. Organization System

(1) Organization Structure



(2) Business operated by each major department

Department	Functions and Duties
CEO	- Development and implementation of AP Memory’s mid-term and long-term business strategy.
President	- Responsible for the overall operational planning and implementation of AP Memory. - Establishment, supervision, and management of the operation and system of each department.
Legal Affairs Office	- Contract review, legal affairs and intellectual property management.
R&D Center	- Design, research and development of new products
AI Business Unit (AI BU)	- Managing AI application memory products’ market development, industry trend analysis, market information collection, competitor information survey.
IoT Business Unit (IoT BU)	- Managing IoT application related memory and peripheral products’ market development, industry trend analysis, market information collection, competitor information survey, etc.
Technology Development Center	- Design, research and development of new process and new idea.
Quality Assurance Division	- Product quality inspection, reliability engineering, customer complaints handling, RMA analysis and response.

Department	Functions and Duties
	- Planning, inspection, supervision, control and implementation of quality management system.
Operation Center	- Production raw material procurement, product outsourcing management, implementation of production management and raw material inventory control, process planning and implementation, product yield improvement.
Engineering Center	- Assisting customers to introduce new product projects, as well as circuit, logic, software design, and providing technical and production support services, as well as project development schedule and verification management.
Administration Center (Admin. Center)	<ul style="list-style-type: none"> - Responsible for the human resources planning, organization development, recruitment and training. - Employee service, labor relations, safety & health, and workplace safety - General procurement, general affairs, fixed assets management. - Evaluation, planning, maintenance, implementation, and information security management of information software and hardware systems.
Finance and Accounting Center (F&A Center)	<ul style="list-style-type: none"> - Financial planning, capital management. - Scheduling and budgeting operations planning. - Accounting processing operations, settlement, establishment and implementation of tax system. - Investor relationship maintenance, etc.
Corporate Governance	<ul style="list-style-type: none"> - Handling of matters relating to Board, Audit Committee, and Shareholders' meetings. - In compliance with law, assistance in onboarding and continuing education of directors, provision of information required for performance of duties by directors, and assistance in directors' compliance of law, etc.
Internal Audit	- Auditing and evaluating the internal control of AP Memory and providing improvement and suggestions to improve the operational efficiency and the effective implementation of internal control.

2. Information of Directors, Supervisors, President, Vice President, Assistant Vice President, Head of each Department and Branch.

(1) Directors, Supervisors

A. Information of Directors

April 30, 2023; Unit: Share

Job Title	Nationality or Place of Registration	Name	Gender / Age (Note1)	Elected Date	Term of office	Commencement date of first term	Shares held at time of election		Shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualification	Positions held concurrently in the company and/or in any other company	Other officers, directors or supervisors with a spouse or second degree of relationship		
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship
Chairman	Taiwan	Chen, Wen-Liang	Male / A	March 4, 2021	3 years	June 15, 2020	—	—	61,358	0.04%	—	—	—	—	Manager of R&D Department of Intel Corporation, USA; Senior R&D Manager of Cypress Semiconductor Corporation, USA; President, Cascade Semiconductor Corporation, USA; Ph.D. in Applied Physics, Yale University, USA	CEO and CTO, AP Memory Corporation; Chairman of the Board, VIVR Corporation; Person in charge, VIVR Corporation Taiwan Branch; Chairman of the Board, Onecent Technology Ltd.; Director of the Board, Lyontek Inc.; Director of the Board, AI Memory Corporation; Supervisor of AP Memory Technology (Hangzhou) Co. Limited.	N/A	N/A	N/A
Director	Taiwan	Shanyi Investment Co., Ltd	—	June 15, 2020	3 years	June 4, 2014	13,258,334	17.93%	26,706,668	16.50%	—	—	—	—	—	—	N/A	N/A	N/A
Director	Taiwan	Representative: Hung, Chih-Hsun	Male / A				—	—	101,509	0.06%	—	—	—	—	R&D Engineering and Production Operation Assistant Manager of Alcor Micro, Corporation; Senior Production and Operation Manager of Powerflash Technology Corporation; Production and Operation Manager of eMemory Technology Inc.; Ph.D. in Industrial Engineering and Management, National Yang Ming Chiao Tung University.	President, AP Memory Technology Corporation; Director of Board, CascadeTeq Inc.; Director of Board, AP Memory Technology (Hangzhou) Co. Limited; Director of Board, AP Memory Technology (Hong Kong) Co. Limited.; Director of Board, APware Technology Corp.	N/A	N/A	N/A
Director	Taiwan	Li Shun Investment Co.	—	June 15, 2020	3 years	June 4, 2014	63,927	0.09%	127,854	0.08%	—	—	—	—	—	—	N/A	N/A	N/A
Director	Taiwan	Representative: Hsieh, Ming-Lin	Male / A				—	—	—	—	—	—	9,352 (Note2)	0.01%	Vice President of Corporate Development, Powerchip Technology Corporation Assistant Manager of Investment Department, LiSi Management Consulting Co. Director of Ili Technology Corp. Master in Business Administration, National Taiwan University	Chairman of Board, Li Shun Investment Co.; Chairman of Board, Treasure Fort Investments Ltd., British Virgin Islands; Director of Board, Quantum Vision Corp.; Director of Board, Liksei Venture Capital Co.; Director of Board, Syntronix Corporation; Director of Board, Teknowledge Development Corp.; Director of Board, LiHsin Investment Corp.; Director of Board, Lontium Semiconductor Corporation Holding Limited; Director of Board, AI Medical Technology Corporation; Director of Board, Powerax Quantum Electronic Corporation ;Independent Director of Icatch Technology, Inc.; Supervisor of AI Memory Corporation; Supervisor of Liyu Venture Capital Co.; Vice President of Powerchip Semiconductor Manufacturing Corporation	N/A	N/A	N/A

Job Title	Nationality or Place of Registration	Name	Gender / Age (Note1)	Elected Date	Term of office	Commencement date of first term	Shares held at time of election		Shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualification	Positions held concurrently in the company and/or in any other company	Other officers, directors or supervisors with a spouse or second degree of relationship		
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship
Independent Director	Taiwan	Yeh, Jui-Pin	Male / B	June 15, 2020	3 years	June 19, 2017	—	—	—	—	—	—	—	—	Business Manager of Hewlett-Packard Company, Chairman of Synopsys Taiwan Co., Ltd. Global Vice President of Synopsys Inc. Chairman of Kuan Hsin Venture Capital Co. CEO of Youngtek Electronics Corp. Master's in Electrical Engineering, National Central University	Director of Board, Mytek Corp.; Independent Director of the Board, Progate Group Corporation	N/A	N/A	N/A
Independent Director	Taiwan	Liu, Frank	Male / B	Aug 20, 2021	3 years	Aug. 20, 2021	—	—	—	—	—	—	—	—	Independent Director of RITDISPLAY Corporation; Independent Director of PRIMAX ELECTRONICS Ltd.; Chairman of Lee Tah Farm Industries co., Ltd.; Chairman of Lydon Textile Co; Chairman of. China Enterprise Forum; M.S., Electrical Engineering and Computer Science, MIT; M.S., Physics ,Purdue University.	Chairman of Chelmsford. International Ltd.; Director of the board of Taiwan Mergers & Acquisitions and Private Equity Council; Director of the board of Subic Bay Development and Management Co. Ltd	N/A	N/A	N/A
Independent Director	Taiwan	Wang, Hsuan	Female / A	Aug. 20, 2021	3 years	Aug. 20, 2021	—	—	—	—	—	—	—	—	Member of Purchasing Committee of NCC; Consultant of Chunghwa Telecom; Part-Time Lecturer of National Taiwan University; Certified Internal Auditor; Certified Public Accountant; Ph.D., Accounting, National Taiwan University.	Independent Director of the Board, Advanced Lithium Electrochemistry (Cayman) Co., Ltd.; Independent Director of the Board, Highpoint Service Network Corporation; Assistant Professor, Yuan Ze University	N/A	N/A	N/A
Independent Director	Taiwan	Sun, Elizabeth	Female / B	May 27, 2022	3 years	May 27, 2022	—	—	—	—	—	—	—	—	Senior Director, Corporate Communication Division & Deputy Spokesman of TSMC; Partner and CFO, InveStar Capital; GMr& Head of research, HSBC Securities in Taiwan; VP and GM-Taiwan, State Street Corporation; Associate Professor of Finance, San Jose State University; Ph.D, University of Cincinnati Carl H. Lindner College of Business	Honorary Chairperson, Taiwan Investor Relations Institute; Member of AGGA; Consultant, MediaTek Inc.	N/A	N/A	N/A

Note1: A→ under 60 years old; B→over 60 years old

Note2: Holding shares through Treasure Fort Investments Ltd.

Note3: The number of stock shares in this table is based on the insider shareholding report as of April, 2023.

If a director is a representative of a corporate shareholder, the major shareholder of the corporate shareholders is:

Name of Corporate Shareholder	Major Shareholder of Corporate Shareholder	If the major shareholder of a corporate shareholder is a legal person, its major shareholder is
Shanyi Investment Co., Ltd	YAMAICHI HOLDINGS CO., LTD. (100%)	JUAN LI (100%)
Li Shun Investment Co.	Hsieh, Ming-Lin (100%)	-

B. Disclosure of Information Regarding the Professional Qualifications and Experience of Directors and the Independence of Independent Directors

Title / Name	Professional qualifications and experience	Independent status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman / Chen, Wen-Liang	Mr. Chen obtained a PhD degree in Applied Physics in Yale University. And he is also our Chief Operating Officer, President and Chief Technology Officer of the Company. He was R&D department manager of Intel Corporation and has over 30 years of experience in the semiconductor industry.	No occurrence of the circumstances described in Article 30 of the Company Law.	0
Director / Shanyi Investment Co., Ltd Representative: Hung, Chih-Hsun	Mr. Hung has obtained a PhD of industrial engineering and management from the National Yang Ming Chiao Tung University and serves as the Senior Vice President of our Operation Center and IoT Business Uni of the Company.		0
Director / Li Shun Investment Co. Representative: Hsieh, Ming-Lin	Mr. Hsieh obtained a master's degree from the Graduate School of Business, National Taiwan University. He is the Vice President of Powerchip Semiconductor Manufacturing Corporation and serves as the director and supervisor of several listed on OTC, listed on TWSE and public companies.		1

Title / Name	Professional qualifications and experience	Independent status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent Director / Yeh, Jui-Pin	Mr. Yeh obtained a master's degree in Electrical Engineering from National Central University. He previously served as the chief executive officer of YongTek Electronics Corporation and the chairman of Synopsys Taiwan. He specializes in business operations, marketing and strategic planning, and has an in-depth understanding of the semiconductor industry.	The following independence assessment criteria have been met in the two years prior to and during the period of taking office (1) Not an employee of the Company or any affiliates. (2) Not a director or supervisor of the Company or any affiliates. (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.	1
Independent Director / Liu, Frank	Mr. Liu is Master of Engineering and Computer Science at the Massachusetts Institute of Technology, USA as well a, and He has served as chairman and president of several companies and has extensive experience in company operations and industry trends.	(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs. (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Law.	0
Independent Director / Wang, Hsuan	Ms. Wang obtained a PhD degree in accounting from the National Taiwan University. She is the CPA of R.O.C. and an qualified international internal auditor. She is an assistant professor in the Department of Accounting and a member of the Internal Audit Committee of Yuan Ze University.	(6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. (7) If the chairman, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution.	2
Independent Director / Sun, Elizabeth	Ms. Sun obtained PhD degree in Financial University of Cincinnati, was an associate Professor of Finance, San Jose State University. She also worked as a senior director and acting spokesman of Taiwan Semiconductor Manufacturing Corporation.	(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof.	0

C. Diversity and independence of the Board of Directors:

The Board of Directors of the Company consists of 7 directors, of which 4 are independent directors and 2 directors as employee (57.14% and 28.57% of all directors) , as well as the independent directors are more than half of the board seats. In addition, The Company is also mindful of gender equality in the composition of its Board of Directors, with 28.57% female directors.

Items Name of Director	Gender	Employee	Tenure of independent directors			Diversified Core Project Capabilities									
			Less than 3 years	3 ~ 9 years	More than 9 years	Operational Judgment	Accounting and Financial	Management Ability	Management Crisis	Industry Knowledge	View of International	Leadership	Decision-Making Ability		
Chen, Wen-Liang	Male	✓	/			✓		✓	✓	✓	✓	✓	✓		
Shanyi Investment Co., Ltd Representative: Hung, Chih-Hsun	Male	✓				✓		✓		✓	✓	✓	✓	✓	✓
Li Shun Investment Co. Representative: Hsieh, Ming-Lin	Male					✓		✓	✓	✓	✓	✓	✓	✓	✓
Independent Director Yeh, Jui-Pin	Male			✓		✓		✓	✓	✓	✓	✓			
Independent Director Liu, Frank	Male		✓			✓		✓	✓	✓	✓	✓			
Independent Director Wang, Hsuan	Female		✓			✓	✓		✓	✓	✓	✓			
Independent Director Sun, Elizabeth	Female		✓			✓	✓	✓	✓	✓	✓	✓			

(2) Information of President, Vice President, Assistant Vice President, Head of each Department and Branch.

April XX, 2023; Unit: Share

Job Title	Nationality	Name	Gender	Date of appointment to position	Shareholdings		Shares now held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Officers with a spouse or second degree of relationship		
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Job Title	Name	Relationship
CEO, and CTO	Taiwan	Chen, Wen-Liang	Male	September 1, 2016	61,358	0.04%	—	—	—	—	Senior R&D Manager of Cypress Semiconductor Corporation, USA President, Cascade Semiconductor Corporation, USA Manager of R&D Department of Intel Corporation, USA Ph.D. in Applied Physics, Yale University, USA	Chairman of the Board, VIVR Corporation; Person in charge, VIVR Corporation Taiwan Branch; Chairman of the Board, Onecent Technology Ltd.; Director of the Board, Lyontek Inc.; Director of the Board, AI Memory Corporation; Supervisor of AP Memory Technology (Hangzhou) Co. Limited.	N/A	N/A	N/A
President	Taiwan	Hung, Chih-Hsun	Male	July 1, 2022	101,509	0.06%	—	—	—	—	R&D Engineering and Production Operation Assistant Manager of Alcor Micro, Corporation Senior Production and Operation Manager of Powerflash Technology Corporation Production and Operation Manager of eMemory Technology Inc. Ph.D. in Industrial Engineering and Management, National Yang Ming Chiao Tung University	Chairman of Board, CascadeTeq Inc.; Director of Board, AP Memory Technology (Hangzhou) Co. Limited; Director of Borad, AP Memory Technology (Hong Kong) Co. Limited.; Director of Board, APware Technology Corp.	N/A	N/A	N/A
Senior Vice President	Taiwan	Liu, Chin-Hung	Male	August 19, 2019	477,252	0.29%	—	—	—	—	Chief Engineer of SRAM Product Engineering, Cypress Semiconductor Corporation, USA Process Integration Engineer of United Microelectronics Corporation Master's in Applied Chemistry, National Yang Ming Chiao Tung University	N/A	N/A	N/A	N/A
CFO	Taiwan	Lin, Yu-Hsin	Female	July 1, 2022	277,657	0.17%	—	—	—	—	Financial Manager of Alcor Micro, Corporation Junior Manager of Yuanta Core Pacific Securities Co., Ltd. Auditor of Deloitte Touche Tohmatsu Limited Master's in Accounting, National Chengchi University	N/A	N/A	N/A	N/A

Job Title	Nationality	Name	Gender	Date of appointment to position	Shareholdings		Shares now held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Officers with a spouse or second degree of relationship		
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Job Title	Name	Relationship
Assistant Vice President	Taiwan	Liu, Tsung-Ning	Male	August 1, 2021	172	—	—	—	—	—	Business Development Manager of Taiwan Semiconductor Manufacturing Company Product Marketing Manager of XAC Automation Company Hardware designer Engineer of Sun Microsystems Master's in Electrical Engineering, Stanford University	N/A	N/A	N/A	N/A
Assistant Vice President	Taiwan	Huang, Wei-Cheng	Male	April 1, 2022	2,227	—	—	—	—	—	New product development and validation manager of Winbond electronics corporation Sr. Quality Control Engineer of Taiwan Semiconductor Manufacturing Company Product validation engineer, Macronix International Co Bachelor in Electrical Engineering, Kao Yuan University	N/A	N/A	N/A	N/A
Accounting and Finance Supervisor	Taiwan	Hung, Mao-Chuan	Male	May 4, 2020	430	—	—	—	—	—	Deputy Manager of Deloitte Touche Tohmatsu Limited Master's in Accounting, National Taipei University	N/A	N/A	N/A	N/A
Corporate Governance Supervisor	Taiwan	Hong, Shu-Ling	Female	May 7, 2021	16,181	0.01%	—	—	—	—	Deputy Manager of Rotam Global AgroSciences Limited Auditor of Ernst & Young Bachelor in Accounting, Soochow University	N/A	N/A	N/A	N/A

Note: The number of stock shares in this table is based on the insider shareholding report as of April 2023.

(3) The information to be disclosed if the top manager and the chairman are the same person, spouse or relative of each other:

Chairman of Board, Mr. Chen Wen-Liang also holds the CEO position of the Company. In order to enhance operational efficiency and decision-making execution, he has been closely communicating with the Directors of Board on the current status of the Company's operations and plans to implement corporate governance. The Board of Directors and the Company Managerial Officers fully respect the suggestions made by the independent Directors in formal meetings and informal occasions, and evaluate and implement them in daily operation and strategy execution. AP Memory have four independent directors, which meets the requirements of corporate governance.

Compensation Range Table

Compensation Range to each director of the Company	Name of Director			
	Sum of A+B+C+D		Sum of A+B+C+D+E+F+G	
	The Company	All consolidated entities	The Company	All consolidated entities
Less than 1,000,000	Sun, Elizabeth	Sun, Elizabeth	Sun, Elizabeth	Sun, Elizabeth
1,000,000(inclusive) ~ 2,000,000(exclusive)	Chen, Wen-Liang; Shanyi Investment Co., Ltd representative: Hung, Chih-Hsun; Li Shun Investment Co. Representative: Hsieh, Ming-Lin; Yeh, Jui-Pin; Liu, Frank; Wang, Hsuan	Chen, Wen-Liang; Shanyi Investment Co., Ltd representative: Hung, Chih-Hsun; Li Shun Investment Co. Representative: Hsieh, Ming-Lin; Yeh, Jui-Pin; Liu, Frank; Wang, Hsuan	Li Shun Investment Co. Representative: Hsieh, Ming-Lin; Yeh, Jui-Pin; Liu, Frank; Wang, Hsuan	Li Shun Investment Co. Representative: Hsieh, Ming-Lin; Yeh, Jui-Pin; Liu, Frank; Wang, Hsuan
2,000,000(inclusive)~ 3,500,000(exclusive)	—	—	—	—
3,500,000(inclusive)~ 5,000,000(exclusive)	—	—	—	—
5,000,000(inclusive)~ 10,000,000(exclusive)	—	—	—	—
10,000,000(inclusive)~ 15,000,000(exclusive)	—	—	Chen, Wen-Liang Shanyi Investment Co., Ltd representative: Hung, Chih-Hsun	Chen, Wen-Liang Shanyi Investment Co., Ltd representative: Hung, Chih-Hsun
15,000,000(inclusive)~ 30,000,000(exclusive)	—	—	—	—
30,000,000(inclusive)~ 50,000,000(exclusive)	—	—	—	—
50,000,000(inclusive)~ 100,000,000(exclusive)	—	—	—	—
More than 100,000,000	—	—	—	—
Total	A total of 7	A total of 7	A total of 7	A total of 7

(2) Compensation of the President and Vice Presidents

Fiscal year of 2022; Unit: In thousands of NTD; 1,000 shares; %

Title	Name	Compensation(A)		Severance Pay/Retirement Pension(B)		Bonus and Special Disbursement, etc. (C)		Amount of Employee Compensation(D) (Note 2)				Proportion of the total amount of Items A, B, C, D in net profit after tax(%)		Compensation received from an investment transferred from a subsidiary
		The Company	All Companies listed in the Financial Statements	The Company	All Companies listed in the Financial Statements	The Company	All Companies listed in the Financial Statements	The Company		All Companies listed in the Financial Statements		The Company	All Companies listed in the Financial Statements	
								Cash Amount	Amount of Stock	Cash Amount	Amount of Stock			
CEO and CTO	Chen, Wen-Liang	7,792	7,792	297	297	26,170	26,170	2,055	-	2,055	-	36,314 1.87%	36,314 1.87%	None
President	Hung, Chih-Hsun													
Senior Vice President	Liu, Chin-Hung													
CFO	Lin, Yu-Hsin ^(Note1)													

Note1: Took office in April, 2022

Note2: The estimated employee compensation in 2022 was approved to pay in cash by the resolution of the Board of Directors on February 24, 2023

Compensation Range Table

Compensation Range to each President and Vice President of the Company	Name of President and Vice President	
	The Company	All Companies listed in the Financial Statements
Less than 1,000,000	—	—
1,000,000(inclusive) ~ 2,000,000(exclusive)	—	—
2,000,000(inclusive) ~ 3,500,000(exclusive)	—	—
3,500,000(inclusive) ~ 5,000,000(exclusive)	Lin, Yu-Hsin ^(Note)	Lin, Yu-Hsin ^(Note)
5,000,000(inclusive) ~ 10,000,000(exclusive)	Hung, Chih-Hsun、Liu, Chin-Hung	Hung, Chih-Hsun、Liu, Chin-Hung
10,000,000(inclusive) ~ 15,000,000(exclusive)	Chen, Wen-Liang	Chen, Wen-Liang
15,000,000(inclusive) ~ 30,000,000(exclusive)	—	—
30,000,000(inclusive) ~ 50,000,000(exclusive)	—	—
50,000,000(inclusive) ~ 100,000,000(exclusive)	—	—
More than 100,000,000	—	—
Total	A total of 4	A total of 4

Note: Took office in April, 2022

(3) Name of the manager who distributed the employee compensation and the distribution situation

Fiscal year of 2022; Unit: In thousands of NTD

Title	Name	Amount of Stock	Cash Amount	Total	Proportion of the Total Amount in net profit after tax (%)
CEO and CTO	Chen, Wen-Liang	-	3,616	3,616	0.19%
Senior Vice President	Hung, Chih-Hsun				
Senior Vice President	Liu, Chin-Hung				
CFO	Lin, Yu-Hsin				
Assistant Vice President	Liu, Tsung-Ning				
Assistant Vice President	Huang, Wei-Cheng ^(Note)				
Accounting and Finance Supervisor	Hung, Mao-Chuan				
Corporate Governance Supervisor	Hong, Shu-Ling				

Note: Took office in April, 2022.

(4) Analysis comparing the proportion of the total amount of compensation paid by the Company and all companies to the Directors, Supervisors, President, and Vice Presidents of the Company in the most recent two years in net profit after tax of individual or individual financial statements. Explanation of the policy, standards, and combination, procedures for determining the compensation, and their relevance to business performance and future risks.

A. Analysis of the proportion of the total amount of compensation paid by the Company to the Directors, Supervisors, President, and Vice Presidents of the Company in the most recent two years in net profit after tax:

Title	Proportion of the total compensation in net profit after tax in 2021(%)		Proportion of the total compensation in net profit after tax in 2022(%)	
	The Company	All Companies listed in the Financial Statements	The Company	All Companies listed in the Financial Statements
Directors	2.70%	2.70%	1.76%	1.76%
President and Vice Presidents	2.50%	2.50%	1.87%	1.87%

B. Policy, standards, and combination, procedures for determining the compensation, and their relevance to business performance and future risks.

It is stipulated in the Articles of Association of the Company that no more than 3% of the net profit before tax of the current year after deduction of compensation for employees and directors shall be compensation for directors. It is also stipulated that the compensation for employees and directors shall be distributed by a resolution to be adopted by a majority vote of the directors present at the meeting of the Board of Directors attended by directors representing two-thirds of the directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

In addition, according to the "Compensation Policy for Directors and Functional Committee Members" prescribed by the Company, the Independent Directors of the Company receive fixed compensation and do not participate in the compensation distribution. The compensation for the President and Vice Presidents include salary, bonus, and employee bonus depending on their positions, responsibilities and contributions to the Company and shall be agreed upon in reference to the same industry standard. Procedures for determining the compensation shall also be prescribed in accordance with the Articles of Association, relevant personnel regulations and delegation of authority.

For the compensation paid to the Directors, President, and Vice Presidents, the Company has considered the future operational risks of the Company and their positive correlation with business performance in order to strike a balance between sustainable operation and risk management, and the Company has submitted it to the compensation committee for consideration prior to the actual payment.

4. Operation of Corporate Governance

(1) Operation of the Board of Directors

A. In the most recent year (2022), the Board of Directors held 9 meetings (A). The attendance of directors is as follows:

Title	Name	Number of Actual Attendance (B)	Number of Entrusted Attendance	Actual Attendance Ratio (%) [B / A] (Note)	Note
Chairman	Chen, Wen-Liang	9	0	100.00	
Director	Shanyi Investment Co., Ltd Representative: Hung, Chih-Hsun	9	0	100.00	
Director	Li Shun Investment Co. Representative: Hsieh, Ming-Lin	9	0	100.00	
Independent Director	Yeh, Jui-Pin	9	0	100.00	
Independent Director	Liu, Frank	9	0	100.00	
Independent Director	Wang, Hsuan	9	0	100.00	
Independent Director	Sun, Elizabeth	6	0	100.00	Took office on May 27, 2022
Note : Actual Attendance Rate (%) is calculated based on the number of board meetings and actual attendance during his/her tenure.					

B. Other matters to be recorded by the Board of Directors

(i) The matters listed in Article 14-3 of the Securities and Exchange Act and any other matter decided by the Board of Directors for which any Independent Directors has a dissenting or qualified opinion which is on record or stated in a written statement.

Meeting Date	Meeting		Contents of Proposal	All opinions of Independent Directors and the Company's handling of the opinions of Independent Directors
Feb. 25, 2022	4 th Term	18 th Meeting	Amendment of "Procedures for Acquisition or Disposal of Assets".	All independent directors agreed and had no opinions.
			Approval of distribution of the Company's 2021 employees bonus and directors compensation.	
Apr. 29, 2022	4 th Term	20 th Meeting	Amendment of "Internal Control System", the "Internal Audit Implementation Rules", and "Self-Assessment of Internal Control System".	
May 27, 2022	4 th Term	21 th Meeting	Approval of the compensation of newly elected independent director.	
			Appointment and Remuneration of President.	
Aug. 30, 2022	4 th Term	24 th Meeting	To issue the Company's 2022 Employee Stock Options	
			Amendment of "Compensation Policy for Directors and Functional Committee Members"	
Dec. 23, 2022	4 th Term	26 th Meeting	Appointment of the certified public accountant of the Company and relevant audit fee of 2023	

- (ii) Any other matter decided by the Board of Directors for which any Independent Directors has a dissenting or qualified opinion which is on record or stated in a written statement: N/A
- (iii) Execution of directors' withdrawal from discussion of any proposal, in which the director is an interested party, to avoid conflicts of interest

Meeting Date	Meeting		Contents of Proposal	Reason for avoidance of conflicts	Resolution
Feb. 25, 2022	4 th Term	18 th Meeting	Approval of distribution of the Company's 2021 employee compensation and directors' compensation	The discussion of this proposal was related to all the Directors.	Except for the directors who were withdrawn from discussion to avoid conflicts of interest, the other directors present passed the resolution without objection.
May 27, 2022	4 th Term	21 th Meeting	Approval of the compensation of newly elected independent director.	The discussion of this proposal was related to the Director Sun, Elizabeth.	
			Appointment and Remuneration of President.	The discussion of this proposal was related to the Director Hung, Chih-Hsun.	
Aug. 30, 2022	4 th Term	24 th Meeting	To sign the "Memory Production Capacity Reservation Agreement Revision Agreement"	The discussion of this proposal was related to the Director Hsieh, Ming-Lin.	
Dec. 23, 2022	4 th Term	26 th Meeting	Approval of the list of employee stock options per the Company's "The Employee Stock Option Issuance and Share Subscription Plan of 2022."	The discussion of this proposal was related to the Director Chen, Wen-Liang and Hung, Chih-Hsun.	
			Approval of the 2023 compensation plan for the CEO and President.		

(iv) Implementation of Evaluation of the Board of Directors

The Company has stipulated the "Self-Evaluation or Peer Evaluation of the Board of Directors" in accordance with Article 37 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and completed the evaluations of the Board and functional committee in the 1st quarter of 2023.

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Method of Evaluation	Contents of Evaluation
Once per year	Evaluate the performance of the Board and functional committee as of January 1, 2022 to December 31, 2022	Evaluate the performance of the Board of Directors, individual directors, and functional committee	<ol style="list-style-type: none"> The members of the Board of Directors evaluate the overall performance of the Board of Directors. Individual board members conduct self-performance evaluations. The members of the audit committee evaluate the overall performance of the committee. The members of the Compensation Committee evaluate the 	<ol style="list-style-type: none"> Performance evaluation of the Board of Directors and individual directors: Taking into account the evaluation indicators formulated by the competent authority, which can be adjusted in consideration of the actual situation of the Company. The evaluation contents include the degree of participation in the operation of the Company, the improvement of the quality of the Board decisions, the composition and structure of the Board of Directors, the selection and

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Method of Evaluation	Contents of Evaluation
			overall performance of the committee.	<p>continuation of the directors, internal control and other aspects.</p> <p>2. Overall performance evaluation of the audit committee: Taking into account the evaluation indicators formulated by the competent authority, the degree of participation in the operation of the Company, the perception of the responsibilities of the audit committee, the decision quality of the audit committee, the composition and selection of the audit committee, and the internal control, etc. The results shall be reported to the Board.</p> <p>3. Overall performance evaluation of the Compensation Committee: Taking into account the evaluation indicators formulated by the competent authority, the degree of participation in the operation of the Company, the perception of the responsibilities of the Compensation Committee, the improvement of decision quality of the Compensation Committee, and the composition and selection of the Compensation Committee, etc. The results shall be reported to the Board.</p>

Reported the result to the Board of Directors on April 7, 2023

(v) Goals of strengthening the function of the Board of Directors:

- a. The Company's official website has a "Corporate Governance" section, which covers corporate governance structure, operation of the Board of Directors and functional committee, and important company rules and regulations, etc. Shareholders can understand the operation of the Board of Directors of the Company through this section.
- b. The Company elected an Independent Director for a term of three years at the general meeting of shareholders in 2022 to reinforce the function of the Board of Directors. In addition, according to the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies", the Company formulated the "Rules of Procedure of the Board of Directors" to be followed. The Company provides information on the attendance of directors of the Board of Directors at the Market Observation Post System.
- c. Establishment of the Compensation Committee and audit committee: The Company has established the Compensation committee on April 20, 2015 and appointed independent directors, and established the audit committee at the annual shareholders' meeting in 2017 to strengthen the Board of Directors in carrying out its duties.
- d. Strengthening corporate governance: The "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", and "Corporate Governance Best Practice Principles" were adopted by the Board of Directors on December 22, 2014. Continue to update and revise the provisions in accordance with laws and regulations and the Company's practical operations. In addition, the Board of Directors approved the establishment and appointment of the company's corporate governance supervisor on May 7, 2021.
- e. The company has purchased liability insurance for all directors and provides related

information at the Market Observation Post System.

(2) Operation of the audit committee or involvement of the Supervisors in the operation of the Board of Directors:

The Audit Committee is to assist the Board in fulfilling its role in overseeing the quality and integrity of the Company's performance of accounting, auditing, financial reporting processes and financial controls.

A. 2022 Audit Committee Work Highlights

The Audit Committee has reviewed the financial statements of the Company, the financial statements and the appropriation of earnings for the year ended December 31, 2022, and has appointed Deloitte & Touche to audit the financial statements and to issue an independent re Company's Board of Directors consists of 7 directors, of which 4 are independent directors and 2 directors as employee (57.14% and 33.33% of all directors) , as well as the independent directors are more than half of the directors the policies and procedures of the Company's internal control system (including controls over sales, procurement, outsourcing, personnel, finance, information security, and compliance with laws and regulations), and supervised the operation of the Company's internal audit unit and reviewed the results of the internal control self-assessment. The Audit Committee considers that the Company's internal control system is effective.

B. In the most recent year (2022), the audit committee held 5 meetings (A). The attendance of the Independent Directors is as follows:

Title	Name	Number of Actual Attendance (B)	Number of Entrusted Attendance	Actual Attendance Ratio (%) 【 B / A 】 (Note)	Note
Convener	Yeh, Jui-Pin	5	0	100.00%	
Member	Liu, Frank	5	0	100.00%	
Member	Wang, Hsuan	5	0	100.00%	
Member	Sun, Elizabeth	4	0	100.00%	Took office on May 27, 2022
Note: Actual Attendance Rate (%) is calculated based on the number of meetings of the audit committee and actual attendance during his/her tenure.					

C. If the operation of the audit committee falls under any of the following circumstances, it shall state the date and term of the board meeting, the content of the proposals, the result of the resolutions of the audit committee and the Company's handling of the opinions of the audit committee.

(i) The matters listed in Article 14-5 of the Securities and Exchange Act and other matters not approved by the audit committee but agreed by more than two-thirds of all the directors:

a. The matters listed in Article 14-5 of the Securities and Exchange Act:

Meeting Term	Date	Contents of Proposal	Resolution
2 nd Term 12 th Meeting of the Audit Committee	Feb. 25, 2022	<ul style="list-style-type: none"> ■ The 2021 "Statement of Internal Control System" ■ 2021 annual individual and consolidated financial statements and business report of the Company 	All independent directors agreed and had no opinions.
2 nd Term 13 th Meeting of the Audit Committee	Apr. 29, 2022	<ul style="list-style-type: none"> ■ 2022 1st quarter consolidated financial statements ■ Amendment of "Internal Control System", the "Internal Audit Implementation Rules", and "Self-Assessment of Internal Control System". 	
2 nd Term 14 th Meeting of the Audit Committee	July. 29, 2022	<ul style="list-style-type: none"> ■ 2022 2nd quarter consolidated financial statements 	
2 nd Term 15 th Meeting of the Audit Committee	Oct. 28, 2022	<ul style="list-style-type: none"> ■ 2022 3rd quarter consolidated financial statements 	

Meeting Term	Date	Contents of Proposal	Resolution
2 nd Term 16 th Meeting of the Audit Committee	Dec. 23, 2022	<ul style="list-style-type: none"> ■ Appointment of the certified public accountant of the Company and relevant audit fee of 2023 	

b. The other matters not approved by the audit committee but agreed by more than two-thirds of all the directors: N/A

(ii) Execution of the independent directors' withdrawal from discussion of any proposal, in which the independent director is an interested party, to avoid conflicts of interest: N/A

D. Communication between the Independent Directors and the internal audit supervisor and accountant:

(i). Communication between the Independent Directors and the internal audit supervisor:

Meeting Term	Date	Key Points of Communication	Results of Processing and Execution
2 nd Term 12 th Meeting of the Audit Committee	Feb. 25, 2022	<ul style="list-style-type: none"> ■ 2021 Internal Control Policy Statement ■ Implementation of Annual Audit Plan 	The internal audit supervisor regularly reports the implementation and improvement of the audit plan in the meeting and communicates and exchanges views on the effectiveness of the Company's internal control implementation. Independent Directors suggested optimizing the shipping format of the Audit Report in the communication process on Dec. 23, 2022.
2 nd Term 13 th Meeting of the Audit Committee	Apr. 29, 2022	<ul style="list-style-type: none"> ■ Implementation of Annual Audit Plan and Follow-up of improvement actions taken against deficiencies 	
2 nd Term 14 th Meeting of the Audit Committee	July. 29, 2022	<ul style="list-style-type: none"> ■ Implementation of Annual Audit Plan and Follow-up of improvement actions taken against deficiencies 	
2 nd Term 15 th Meeting of the Audit Committee	Oct. 28, 2022	<ul style="list-style-type: none"> ■ Implementation of Annual Audit Plan and Follow-up of improvement actions taken against deficiencies 	
2 nd Term 16 th Meeting of the Audit Committee	Dec. 23, 2022	<ul style="list-style-type: none"> ■ Implementation of 2022 Annual Audit Plan and Follow-up of improvement actions taken against deficiencies ■ 2023 Audit Plan Risk Assessment and Planning 	

(ii). The Independent Directors of the Company regularly communicate and exchange views with the accountant in the audit committee and board meetings. During the meetings, the accountant fully discussed with the Independent Directors on the review or audit of the Company's financial statements or issues related to finance, taxation, and internal control. In addition to the routine discussions on financial and tax status, on Jan. 6, 2022 and Dec. 14, 2022, the accountant discussed and communicated with the Independent Directors on key audit matters in the audit committee and board meeting.

(3) Implementation Status of Corporate Governance and its Difference with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the Reasons

Evaluation Items	Implementation Status			Difference with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the Reasons
	Yes	No	Summary Descriptions	
1. Does the Company follow the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” to establish and disclose its corporate governance practices?	✓		The Company’s “Corporate Governance Best Practice Principles” has been adopted by the Board of Directors.	No significant difference
2. Shareholding Structure & Shareholders’ Rights (1) Does the Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters? If yes, has these Procedures been implemented accordingly? (2) Does the Company possess a list of major shareholders and beneficial owners of these major shareholders? (3) Has the Company built and executed a risk management system and firewall between the Company and its affiliates? (4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	✓ ✓ ✓ ✓		(1) The Company has designated a spokesperson, deputy spokesperson and other special personnel and has established the “Procedures for the shareholders’ meetings” to handle shareholder suggestions, disputes, or litigation matters. (2) According to Article 25 of the Securities and Exchange Act, the Company discloses the changes in the stocks rights held by the insiders at the Market Observation Post System monthly, so as to understand the changes in the stock rights of the Company’s major shareholders and the list of the ultimate controllers of the major shareholders. (3) The Company has established relevant management procedures and operating systems through the “Rules Governing Financial and Business Matters Between the Company and its Affiliated Enterprises”, internal control and internal audit systems, etc., to conduct effective risk control. (4) The Company has formulated the “Management Procedures for Preventing Insider Trading” and “Code of Ethical Conduct”, which have been adopted and implemented by the Board of Directors.	No significant difference
3. Composition and Responsibilities of the Board of Directors (1) Has the Company established a diversification policy for the composition of its Board of Directors, and has it been implemented accordingly? (2) Other than the Compensation Committee and the audit committee which are required by law, does the Company voluntarily set up other functional committees? (3) Has the Company established a performance evaluation method and procedures for the Board of Directors to conduct performance evaluation on an annual basis? Does the Company report the results of performance evaluation to the Board of Directors for reference in the salary and compensation of individual directors and nomination for renewal of office? (4) Does the Company regularly evaluate its external auditors’	✓ ✓ ✓ ✓	 ✓	(1) The selection and appointment of Directors of the Company is based on the overall configuration of the Board of Directors. The board members generally possess necessary knowledge, experience, skills, and quality to perform their duties, which have been stipulated in the “Corporate Governance Practice Code” and the “Procedures for Selection and Appointment of Directors”. The functions and duties of the Board of Directors are separately governed by the Articles of Association of the Company. Review the list of the current 7 Directors according to the aforementioned policy: The proportion of Directors who are employees is 28.57%, the proportion of female Directors is 28.57%, the proportion of Directors under the age of 60 is 57.14%, and the term of office of independent Directors does not exceed three terms. In terms of professional knowledge and skills, the company’s Directors have operational judgment, business management, industry knowledge, leadership and decision-making capabilities, and three Directors have financial accounting majors. (2) At present, the Company has no plans to set up other functional committees, which will be assessed and established according to the size of the Company and the complexity of organizational structure. (3) The Company has stipulated the “Self-Evaluation or Peer Evaluation of the Board of Directors” and implemented it in the 1 st quarter of 2023. The self-evaluation result has report to the Board of Directors at April 7 th , 2023. (4) When the Company appoints its annual external auditors, it will evaluate their	No significant difference

Evaluation Items	Implementation Status			Difference with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the Reasons																				
	Yes	No	Summary Descriptions																					
independence?			independence and obtain the independence statement issued by the external auditors. (Please refer to Table 2 for the assessment of the independence) After the evaluation, the company's external auditors meets the independence assessment standards and fully capable of serving as the company's external auditors. The Company reported it to the audit committee and the Board of Directors for their consideration and obtained approval of appointment on December 23, 2022.																					
4. Does the listed company have a competent and appropriate number of corporate governance personnel and designate a corporate governance officer to be responsible for corporate governance related matters (including but not limited to providing information necessary for directors and supervisors to carry out their business, assisting directors and supervisors to comply with laws and regulations, handling matters related to meetings of the board of directors and shareholders according to law, and making minutes for meetings of the board of directors and shareholders?)	✓		<p>The Board of Directors appointed Ms. Hong, Shu-Ling as the Corporate Governance officer to assist in handling information necessary for the directors to perform their duties, assisting the directors in complying with laws and regulations, conducting board and shareholders' meeting related matters in accordance with the law, and preparing minutes of board and shareholders' meetings, etc.. The details of the advanced training for corporate governance supervisors in 2022 are as follows:</p> <table border="1"> <thead> <tr> <th>Training Date in 2022</th> <th>Course Organizer</th> <th>Training Course</th> <th>Training hours</th> </tr> </thead> <tbody> <tr> <td>04.21</td> <td>Securities & Futures Institute</td> <td>Quickly interpret and prepare for ESG disclosure requirements of corporate governance</td> <td>3.0</td> </tr> <tr> <td>04.18</td> <td>Accounting Research and Development Foundation</td> <td>Directors, supervisors and senior executives supervise the company's implementation of ESG</td> <td>3.0</td> </tr> <tr> <td>04.14</td> <td>Accounting Research and Development Foundation</td> <td>Analysis of the latest corporate governance policies and laws and common deficiencies</td> <td>3.0</td> </tr> <tr> <td>03.25</td> <td>Accounting Research and Development Foundation</td> <td>CFD climate-related financial disclosure and low-carbon green new value model</td> <td>3.0</td> </tr> </tbody> </table>	Training Date in 2022	Course Organizer	Training Course	Training hours	04.21	Securities & Futures Institute	Quickly interpret and prepare for ESG disclosure requirements of corporate governance	3.0	04.18	Accounting Research and Development Foundation	Directors, supervisors and senior executives supervise the company's implementation of ESG	3.0	04.14	Accounting Research and Development Foundation	Analysis of the latest corporate governance policies and laws and common deficiencies	3.0	03.25	Accounting Research and Development Foundation	CFD climate-related financial disclosure and low-carbon green new value model	3.0	No significant difference
Training Date in 2022	Course Organizer	Training Course	Training hours																					
04.21	Securities & Futures Institute	Quickly interpret and prepare for ESG disclosure requirements of corporate governance	3.0																					
04.18	Accounting Research and Development Foundation	Directors, supervisors and senior executives supervise the company's implementation of ESG	3.0																					
04.14	Accounting Research and Development Foundation	Analysis of the latest corporate governance policies and laws and common deficiencies	3.0																					
03.25	Accounting Research and Development Foundation	CFD climate-related financial disclosure and low-carbon green new value model	3.0																					
5. Has the Company established a means of communicating with its stakeholders (including but not limited to shareholders, employees, clients, and suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	✓		The Company has a spokesperson and deputy spokesperson, and it also has the Investors Section on its corporate website to smooth the communication channel with stakeholders. The communication between the Company and stakeholders is in good condition.	No significant difference																				
6. Has the Company appointed a professional registrar for its shareholders' meetings?	✓		The Company has appointed KGI Securities Co., Ltd. for handling the affairs of shareholders' meetings.	No significant difference																				
7. Information Disclosure																								
(1) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status?	✓		(1) The Company discloses its financial, business and corporate governance status at any time on its website at www.apmemory.com .	No significant difference																				
(2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website,	✓		(2) The Company has designated the Finance and Accounting Center (Contact No.: 03-560-1651; Email: ir@apmemory.com) to handle the collection and																					

Evaluation Items	Implementation Status			Difference with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the Reasons
	Yes	No	Summary Descriptions	
<p>designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference, etc.)?</p> <p>(3) Does the Company publish and file its annual financial statements within two months after the end of its fiscal year? Does the Company publish and report its financial statements of the first, second and third quarters and the monthly operations in advance of the prescribed period?</p>		✓	<p>disclosure of information. The Company has established a spokesman system (Spokesman: <u>Lin, Yu-Hsin</u>; Deputy Spokesman: <u>Hung, Chich-Hsun</u>). The relevant information of investors conference has also been uploaded on the Company's website.</p> <p>(3) The company announces the major financial data of the annual financial report through the MOPS within two months after the end of the year, and provides real-time information to shareholders, interested parties, etc. Announce and declare the first, second and third quarter financial reports and the operating conditions of each month before the prescribed deadline.</p>	
<p>8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?</p>	✓		<p>(1) The Company has established the "Corporate Social Responsibility Practice Principles" and implements corporate governance, develops a sustainable environment, safeguards social welfare, and strengthens corporate social responsibility information disclosure via ISO9001.</p> <p>(2) The Company discloses information related to its financial, business, and corporate governance on its website at www.apmemory.com, providing open and transparent information for general staff, investors, suppliers, and stakeholders.</p> <p>(3) The Directors of the Company are professionals in their respective fields, and the Company, from time to time, provides the Directors with relevant regulatory information that they need to be aware of. In addition, the management team of the Company also gives regular business and other relevant briefings to the Directors. For the Directors' training records, please refer to Table 1 and visit the MOPS of the Company for further information.</p> <p>(4) The Company has established and effectively implemented a comprehensive internal control system in accordance with relevant laws and regulations, and it has also conducted proper risk evaluations for major correspondent banks, customers, and suppliers to reduce credit risks.</p> <p>(5) The Director of the Company withdrew him/herself from discussion/voting of any proposal, in which the Director is an interested party, to avoid conflicts of interest.</p> <p>(6) The Company maintains D&O Insurance for its directors and officers.</p>	No significant difference

Evaluation Items	Implementation Status			Difference with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the Reasons
	Yes	No	Summary Descriptions	

9. Please state the improvement situation according to the corporate governance evaluation results issued by the Corporate Governance Center, Taiwan Stock Exchange in the most recent year, and for those issues that have not been improved, please suggest action plans and measures for improvement:
The Company will enhance immediacy and integrity of information disclosure, including:
- Improving the Company's website to provide Chinese and English pages for general staff, investors, suppliers, and stakeholders.
 - An annual report of shareholders' meeting will be prepared in accordance with the relevant corporate governance regulations, except complying with the "Regulations Governing Information to be Published in Annual Reports of Public Companies".
 - The company has voluntarily announced the Company's 2021 Sustainability Report at Sept. 30, 2022.

Table 1: Directors' Training Records in 2022

Title	Name	Training Date	Training Course	Training Hours	Course Organizer
Director	Chen, Wen-Liang	Aug. 8	Practice for the Operation of Audit Committees	6.0	Accounting Research and Development Foundation
Director	Shanyi Investment Co., Ltd Representative: Hung, Chih-Hsun	June 22	2022 Seminar (Online) on Corporate Governance for Directors and Supervisors of Listed Counterparties	3.0	Taiwan Academy of Banking and Finance
		Oct 18	ISSB S2 Standard "Climate Related Information Disclosure" Concept Analysis 3.0	3.0	Accounting Research and Development Foundation
Director	Li Shun Investment Co. Representative: Hsieh, Ming-Lin	April 14	Interpretation of financial analysis indicators and management of business risks	6.0	The institute of Internal Auditors-Chinese
Independent Director	Yeh, Jui-Pin	May 26	Corporate Governance and Securities Regulation	3.0	Taiwan Corporate Governance Association
		Aug 2	Technology Development and Business Opportunities for Electric Vehicles and Smart Vehicles	3.0	Financial Supervisory Commission Securities & Futures Institute
Independent Director	Liu, Frank	Oct. 11	Release of Reference Guidelines on the Exercise of Powers and Functions by Independent Directors and the Audit Committee and Director and Supervisor Briefing	3.0	Taiwan Stock Exchange Corporation
		Nov. 9	How to detect a company's financial crisis early by the Independent Director	3.0	Independent Directors Association Taiwan
Independent Director	Wang Hsuan	March 10	An International Perspective on Independent Directors and the 2022 Shareholders' Meeting	3.0	Taiwan Corporate Governance Association
		May 16	Practices of Corporate Governance and Securities Regulations and Audit Committee	3.0	Taiwan Corporate Governance Association
		Aug. 19	Fraud Risk Management and Integrity	3.0	Taiwan Academy of Banking and Finance
Independent Director	Sun, Elizabeth	June 22	2022 Seminar (Online) on Corporate Governance for Directors and Supervisors of Listed Counterparties	3.0	Taiwan Academy of Banking and Finance
		July 20	2022 Seminar (Online) on Corporate Governance for Directors and Supervisors of Listed Counterparties	3.0	Taiwan Corporate Governance Association
		Dec. 2	Court Cases on Independent Directors and the Audit Committees	3.0	Financial Supervisory Commission Securities & Futures Institute
		Dec. 20	Directors and Supervisors' review of corporate operating policies and performance	3.0	The Business Development Foundation of the Chinses straits

Evaluation Items	Implementation Status			Difference with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the Reasons
	Yes	No	Summary Descriptions	

Table 2: Evaluation Form for the Independence, Professionalism and Competence of Certified Public Accountants

Item	Result	
1. As of the most recent attestation operation, there are no situations for a term of seven years without replacement.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
2. Having no material financial interest with the principal	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
3. Having avoided any inappropriate relationship with the principal.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
4. Accountants should ensure the integrity, impartiality and independence of their associates.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
5. It is not allowed to audit and attest the financial statements of the organization which the CPA has worked for two years prior to practicing.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
6. The name of the accountant shall not be used by others.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
7. Having no shareholding in the Company and its affiliates	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
8. Having no borrowing nor lending with the Company or its affiliates, except for normal transactions of the financial industry.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
9. There is no joint investment or benefit-sharing relationship with the Company or its affiliates.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
10. Not concurrently serving in the regular work for the Company or its affiliates to receive a fixed salary.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
11. Having not involved in the management function of making decisions in the Company or its affiliates.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
12. Having not concurrently engaged in any other business that may lose the independence.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
13. It is not allowed to engage in attestation by those who have a relationship of spouse, lineal blood relatives, lineal affinity, or the second degree of collateral relatives with the Company's management personnel	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
14. Having not received any commission in connection with the business.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
15. Having not received any disciplinary or compromised the principle of independence.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

(4) Composition, Functions, and Operation of the Compensation Committee

A. Information of the members of the 2nd Compensation Committee of the Company

Title / Name	Professional qualifications and experience	Independent status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Convener / Yeh, Jui-Pin		(1) Not an employee of the Company or any of its affiliates. (2) Not a director or supervisor of the Company or any of its affiliates. (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.	1
Member/ Liu, Frank	As independent directors of the Company, please refer to the section headed "Disclosure of information as professional qualifications and independent status of directors and independent directors" in this annual report for details of the relevant years of service, professional qualifications and experience.	(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs. (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Law. .	None
Member/ Wang, Hsuan		(6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. (7) If the chairman, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution.	2
Member/ Lan, Ching-Yao	Mr. Lan obtained a master's degree in Accounting from Soochow University. He is the CPA of R.O.C. Currently he served as assistant professor-level part-time technical expert in department of accounting information, National Taipei University of Business and as the adjunct speaker in Soochow University. He has served as Compensation Committee members of several companies and has extensive experience in company compensation policy and compensation tool.	(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.	None

B. Functions of the Compensation Committee: The Compensation Committee operates to enhance corporate governance and risk management, and to evaluate and monitor the compensation system for directors and managers of the Company with a view to motivating and retaining talents. Its main functions are to periodically review the policies and systems for performance evaluation and compensation of directors and managers, and to evaluate and determine the compensation of directors and managers.

C. Operation of the Compensation Committee

(i) The Compensation Committee of the Company consists of four members.

(ii) Term of this Compensation Committee: From June 15, 2020 to June 14, 2023. In the most recent year, the Compensation Committee held 5 meetings (A). The qualifications and attendance of the member are as follows:

Title	Name	Number of Actual Attendance (B)	Number of Entrusted Attendance	Actual Attendance Ratio (%) 【B / A】 (Note 1)	Note
Convener	Yeh, Jui-Pin	4	1	80.00%	
Member	Lan, Ching-Yao	5	0	100.00%	
Member	Liu, Frank	4	1	80.00%	
Member	Wang, Hsuan	5	0	100.00%	

Note: Actual Attendance Rate (%) is calculated based on the number of meetings of the audit committee and actual attendance during his/her tenure.

(iii) The discussions and resolutions of the Compensation Committee during 2022:

Meeting date	Discussion	Resolution
Apr. 1	Promotion and salary adjustment of the Managerial Officers.	It is agreed by all members present and approved by the Board of Directors by resolution
	The compensation of the newly appointed Managerial Officers	
	The list of employee stock options of Managerial Officers	
May 20	Amendment of "Bonus Regulations"	It is agreed by all members present and approved by the Board of Directors by resolution
	The newly Independent Directors' compensation	
Jun. 28	The compensation of the newly appointed President	It is agreed by all members present and approved by the Board of Directors by resolution
Aug 26	Amendment of "Board and functional committee Regulations"	It is agreed by all members present and approved by the Board of Directors by resolution
Dec 14	The list of employee stock options of Managerial Officers	It is agreed by all members present and approved by the Board of Directors by resolution
	The Managerial Officers compensation plan of 2023	

(iv) In case that the Board of Directors does not adopt or amend the recommendations of the Compensation Committee, please state the date and term of the board meeting, the content of the proposals, the result of the resolutions of the Board of Directors, and the Company's handling of the opinions of the Compensation Committee: N/A

(v) In case that any member has a dissenting or qualified opinion on any resolution passed by the Compensation Committee which is on record or stated in a written statement, please state the date and term of the Compensation Committee meeting, the content of the proposals, the opinions of all members, and the handling of the members' opinions: N/A.

(5) Implementation of Sustainable Development and Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Evaluation Items	Implementation Status			Difference with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and the Reasons
	Yes	No	Summary Descriptions	
1. Does the Company establish a governance structure to promote sustainable development, established a dedicated (part-time) unit to promote sustainable development; and did the Board of Directors authorize senior manager to handle it and report the supervisory status to the Board of Directors?		✓	The Company does not yet have a dedicated (part-time) unit to promote sustainable development, but will do so in the future.	This will be set up in the future as required and will be delegated by the Board to management and reported to the Board.
2. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	✓		The Company has established the “Risk Management Policy” which has been approved by the audit committee and the Board of Directors. In addition to keeping track of possible internal and external risks, the Company will regularly stimulate the response measures and results when risks occur. (1) The risk assessment boundary is primarily based on our company and includes our subsidiary, AP Memory Technology (Hangzhou) Co. Limited., based on the importance of its core business and the degree of impact on significant topics. (2) Currently, we only establish management strategies for significant corporate governance issues, including social and economic compliance, enhancing director roles, and stakeholder communication, etc. We identify the risk assessment standards, processes, results, and risk management policies or strategies for environmental, social, and other significant issues through the preparation of the 2021 ESG Report.	No significant difference
3. Environment (1) Does the Company establish an appropriate environmental management system according to its industrial characteristics? (2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? (3) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues? (4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy	✓ ✓ ✓		(1) The Company is an IC design industry and has no factory, so it has little impact on the environment. The Company has established an appropriate environmental management system in the ISO quality manual. (2) The Company continues to promote electronic signatures to reduce paper consumption, thus saving energy and reducing greenhouse gases emissions. The greenhouse gases inventory and target will be planned from 2022 onwards. (3) The Company is in IC design industry and fables. The operation of the Company has a smaller impact on greenhouse gases emissions than other industries. The 2022 ESG Report and the results of the greenhouse gas emissions inventory are expected to be released by the end of June 2023. (4) The Company will release 2022 ESG Report and the results of the greenhouse gas emissions inventory. has a dedicated unit carrying out resource conservation sessions and tour inspection for all employees, so as to effectively avoid	No significant difference

Evaluation Items	Implementation Status			Difference with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and the Reasons
	Yes	No	Summary Descriptions	
efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?			unnecessary waste of resources (including but not limited to oil, water, paper, and electricity).	
<p>4. Social</p> <p>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> <p>(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?</p> <p>(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?</p> <p>(4) Does the company provide its employees with career development and training Terms?</p> <p>(5) Does the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?</p> <p>(6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company protects the legitimate rights and interests of the employees in compliance with the relevant laws and regulations, provides labor insurance and national health insurance for workers, allocates labor pension in compliance with the internationally recognized labor rights to ensure workers’ rights and interests, and covers group accident insurance and other commercial insurance for all employees.</p> <p>(2) The Company has the “remuneration committee” and the remuneration policy, which can combine the employee performance evaluation system with the corporate social responsibility policy and establish a clear and effective reward and punishment system.</p> <p>(3) The Company continuously improves the office environment conditions, maintains the health and safety of employees, and regularly implements safety and health training.</p> <p>(4) The Company has training program. In addition to planning appropriate education and training courses by the head of each department, the HR Department will also invite professional lecturers or arrange external training courses from time to time to provide appropriate training for appropriate personnel in order to improve its employees’ capabilities and establish an effective career development training program for its employees, so as to enhance the Company’s strength.</p> <p>(5) The Company’s products and services are marketed and labeled in accordance with relevant regulations and international standards. In addition, the Company’s products are not sold to the general consumer. The Company’s general customers or other stakeholders can make report through the contact information listed on the Company’s website. For the relevant reports, the Company will ask the relevant department to investigate and handle them properly.</p> <p>(6) The Company’s contracts with its main suppliers incorporate the spirit of corporate social responsibility.</p>	No significant difference

Evaluation Items	Implementation Status			Difference with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and the Reasons
	Yes	No	Summary Descriptions	
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?	✓		The 2021 ESG report was published on September 30, 2022, and announced on the company's website; the third-party verification will be arranged according to the statutory schedule.	No significant difference
6. If the Company has established the sustainable development principles based on “Sustainable Development Best Practice Principles for TWSE/TPEX Listed, please describe the difference between them.: None.				
7. Other important information to facilitate better understanding of the company’s promotion of sustainable development: (1) To fulfill its social responsibility, the Company, together with TSMC and other companies, established the "Dr. TP, Ma Future Innovation Leadership Scholarship" in the name of Dr. Ma at the Department of Electrical Engineering of National Taiwan University to encourage future generations to be innovative and lead the world in technological progress, and to continue the spirit of technological research and innovation practiced by Dr. Ma. (2) In order to encourage childbearing, the company offers maternity subsidy for all employees. In addition, the company offers maternity leave better than legal requirements for advanced maternal age employees. (3) The company also offers well-facilitated breastfeeding room for female employees. (4) The company establishes multiple communication channels, like “say no to sexual harassment” or “speak up” email for employees to voice their feedback and respond to employee demands, expectations and suggestions as soon as possible				

(6) Status of Ethical Management and its Difference with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and the Reasons

Evaluation Items	Implementation Status			Difference with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and the Reasons
	Yes	No	Summary Descriptions	
<p>1. Establishment of Ethical Management Policy and Measures</p> <p>(1) Has the Company established ethical management policy that has been approved by the Board of Directors and provided in internal policies and disclosed publicly? Do the Board of Directors and the management team demonstrate their commitments to implement the policy?</p> <p>(2) Has the Company established a risk evaluation mechanism for unethical conduct to regularly analyze and evaluate the business activities within its business scope that have a high risk of unethical conduct? Based on this, does the Company establish a plan to prevent any unethical conduct, which at least covers the preventive measures for the conduct under paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”?</p> <p>(3) Does the Company specify procedures, guidelines, disciplinary and complaint systems for violations in the measures for preventing unethical conduct? Does the Company implement the foregoing measures and review it regularly?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company has established the “Ethical Corporate Management Best Practice Principles” which has been implemented after the approval of the Board of Directors.</p> <p>(2) The Company has established the “Procedures for Ethical Management and Guidelines for Conduct” which has been implemented after the approval of the Board of Directors.</p> <p>(3) The Company has set up a dedicated unit to carry out ethical policy promotion, training, and supervision, and encourage internal and external personnel to report unethical conduct or misconduct. Ethical management is also incorporated into performance evaluation and human resources policy.</p>	No significant difference
<p>2. Implementation of Ethical Management</p> <p>(1) Does the Company assess the ethical record of its trading partners and include business conduct and ethics related clauses in its contracts with them?</p> <p>(2) Has the Company set up a dedicated unit subordinate to the Board of Directors, which is in charge of promotion and execution of the Company’s corporate ethical management, and reports its ethical management policy and measures to prevent unethical conduct and the monitoring and implementation status to the Board of Directors regularly (at least once a year)?</p> <p>(3) Has the Company established and implemented policies to prevent conflicts of interest and provides appropriate communication and complaint channels?</p> <p>(4) Has the Company established effective accounting and internal control systems for the implementation of ethical management? Has the Company’s internal audit unit drawn up relevant audit plans based on the evaluation results of the risk of unethical conduct, and used them to audit the compliance of the measures to prevent unethical conduct, or commissioned an accountant to carry out the audit?</p> <p>(5) Does the Company regularly conduct internal and external training on ethical management?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>(1) The Company’s correspondent trading partners have been properly evaluated, and the contracts signed with them also specify business conduct and ethics related clauses.</p> <p>(2) At present, the Administration Center of the Company is responsible for the promotion and development of corporate ethical management. The Company will evaluate the establishment of the corresponding dedicated unit according to the operation situation.</p> <p>(3) The Company follows the “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct”.</p> <p>(4) The Company has established a sound and effective accounting system, internal control system, and internal audits. The Company conducts the audit of all activities according to the regular schedule and irregular projects. According to the annual audit plan, the accountant conducts the audit sampling of the internal control.</p> <p>(5) The Company introduce the ethical management policy at various meetings from time to time. In the future, the Company will organize the ethical</p>	<p>No significant difference</p> <p>The Company will evaluate the establishment of the corresponding dedicated unit according to the operation situation.</p> <p>No significant difference</p> <p>No significant difference</p> <p>No significant difference</p>

Evaluation Items	Implementation Status			Difference with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and the Reasons
	Yes	No	Summary Descriptions	
			management training regularly according to the needs.	
3. Implementation of the Company's Reporting System				
(1) Has the Company established a specific reporting and reward system, established channels to facilitate reporting, and assigned appropriate personnel to handle the reporting?	✓		(1) The Company has established the "Procedures for Ethical Management and Guidelines for Conduct", which clearly defined the reporting, reward system and complaint channel. Appropriate personnel will be appointed according to the position, position, function, and other relevant factors of the person being reported.	No significant difference
(2) Has the Company established standard operating procedures for investigation of complaints, follow-up measures to be taken upon completion of the investigation and relevant confidentiality mechanisms?	✓		(2) The Company has established the "Procedures for Ethical Management and Guidelines for Conduct", which stipulated that the identity of whistleblowers and the contents of whistleblowers will be kept confidential.	No significant difference
(3) Does the Company take measures to protect whistleblowers from improper treatment due to whistleblowing?	✓		(3) The Company has established the "Procedures for Ethical Management and Guidelines for Conduct", which set forth measures to protect whistleblowers from improper treatment due to whistleblowing.	No significant difference
4. Information Disclosure Does the Company disclose the content and effectiveness of its Ethical Corporate Management Best Practice Principles on its website and at the Market Observation Post System?	✓		The Company has an official website to disclose the relevant information of the Company and has a dedicated person to maintain and update the information. At present, according to the regulations, the Company discloses various financial and business information at the Market Observation Post System regularly and irregularly.	No significant difference
5. If the company has established the Ethical Corporate Management Best Practice Principles based on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe their implementation and any difference between the two Principles: No significant difference				
6. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., review and amend the Company's Ethical Corporate Management Best Practice Principles): The Company pays close attention to the development of domestic and foreign ethical management regulations, for reviewing and improving the ethical management policy and measures adopted by the Company, so as to enhance the effectiveness of the implementation of ethical management.				

(7) If the Company has a corporate governance principles and relevant regulations, it should disclose its inquiry methods.

The Company has established the "Corporate Governance Best Practice Principles", "Code of Ethical Conduct", "Ethical Corporate Management Best Practice Principles", and "Corporate Social Responsibility Best Practice Principles" to implement and promote corporate governance. For details, please visit the Market Observation Post System or the Company's website at www.apmemory.com.

(8) Other important information to enhance better understanding of corporate governance

The Company continues to invest resources to strengthen its corporate governance operations. On the Company's website, the Company set up the "Corporate Governance" Section to explain the situation of corporate governance and uploaded the relevant rules and regulations of corporate governance for inquiry and download, and it discloses important information immediately and holds investors conference regularly.

AP Memory Technology Corporation Statement of Internal Control System

Date: February 24, 2023

Based on the findings of a self-assessment, AP Memory Technology Corporation (the “**Company**”) hereby states the following with regard to its Internal Control System during the year 2022:

1. The Company’s Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. The Company has established such system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, and transparency of our reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter referred to as the “Regulations”). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component includes several items. For the detailed items, please refer to the Regulations.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, the Company believes that, on December 31, 2022, we have maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, and transparency of our reporting, and compliance with applicable laws and regulations.
6. This Statement will be an integral part of the Company’s Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on February 24, 2023, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

AP Memory Technology Corporation

Chairman: Chen, Wen-Liang

President: Hung, Chih-Hsun

B. For those who entrust an accountant to review the internal control system, it shall disclose the accountant's audit report: N/A

(10) In the most recent year and up to the publication date of the Annual Report, if the Company and its internal personnel are punished according to law, or if the Company punishes its internal personnel for violating the provisions of the internal control system, and the result of the punishment may have a significant impact on shareholders' equity or securities prices, the Company shall list out the content of the punishment, the main deficiency, and the improvement situation: N/A

(11) Major Resolutions of Shareholders' Meeting and Board Meeting in the most recent year and up to the publication date of the Annual Report

A. Resolutions of Shareholders' Meeting

The Company's 2022 Annual Shareholders' Meeting was held on May 27, 2022. At the meeting, the shareholders present approved the following resolutions:

Major Resolutions of Shareholders' Meeting	Implementation Status
Acknowledgement: 1. The 2021 Business Report and Financial Statements 2. The Distribution of 2021 Profits	Approved. Approved. A cash dividend of NTD6 was allocated per share, the distribution of which was completed on July 08, 2022.
Discussion : 1. To revise the Company's "Articles of Association" 2. To revise the Company's "Procedures for Acquisition or Disposal of Assets" 3. To revise the Company's "Rules of Procedure for Shareholders Meetings"	Approved. Approved. Approved.
Election: Election of 1 independent director	Election of director has been completed. Sun, Elizabeth was elected.

B. Resolutions of Board Meetings

During the 2022 calendar year and up to the publication date of the Annual Report, the Company held 11 board meetings, and major resolutions approved at these Board meetings are summarized below:

Date	Proposals
Feb. 25, 2022	1. Approval of the "2021 Statement of Internal Control System". 2. Approval of distribution of the Company's 2021 employees bonus and directors compensation. 3. Approval of the Company's 2021 annual individual and consolidated financial statements and business report. 4. Approval of the Company's earnings distribution of cash dividends of 2021. 5. Approval of the Company's earnings distribution plan for the year 2021. 6. Amendment of "Procedures for Acquisition or Disposal of Assets". 7. Amendment of "Articles of Incorporation". 8. Proposal of election of one independent directors of the Company to fill vacancy. 9. To nominate candidate for independent director and to examine the independence. 10. Convening the 2022 Annual Shareholders' Meeting. 11. To set the record date for registration of change of capital for employee stock options exercise request during 1 st quarter of 2022. 12. To set the record date of retirement of treasury shares purchased in October, 2018. 13. To obtain short-term financing facility from Mega International Commercial Bank. 14. To obtain short-term financing facility from Citi Bank. 15. Approved the compensation plan for the President's operation performance. 16. Approved the representative of the subsidiary in Cayman and its Taiwan branch.
Apr. 15, 2022	1. Amendment of the Company's "Rules Governing the Procedures for Shareholders Meetings" 2. Approved to revise the agenda for 2022 Annual Shareholders' Meeting

Date	Proposals
Apr. 29, 2022	<ol style="list-style-type: none"> 1. Approved the financial statement of 1st quarter of 2022. 2. Amendment of "Internal Control System", the "Internal Audit Implementation Rules", and "Self-Assessment of Internal Control System". 3. Amendment of "Management of the Financial Statement preparation process", "Management of the Liability Commitment and Contingencies", "Rule of management of related party transactions.", "Management of financial and non-financial information.", "Rules of authorization and deputy systems", "Corporate Governance Best Practice Principles", "Corporate Responsibility Practice Principles" and renamed to "Sustainable Development Best Practice Principles", and "Measures for Performance Evaluation of the Board of Directors". 4. Approved the list of employee stock options per the Company's "The Employee Stock Option Issuance and Share Subscription Plan of 2021."
May 27, 2022	<ol style="list-style-type: none"> 1. To set the record date for registration of change of capital for employee stock options exercise request during 2nd quarter of 2022. 2. Agree to the dissolution and liquidation of subsidiary, Zentel Electrical Corporation. 3. The newly Independent Directors' compensation.
June 28, 2022	<ol style="list-style-type: none"> 1. Amendment of " Delegation of duties and agent system". 2. Amendment of O-Chat of the Company. 3. Appointed the newly President and his compensation. 4. Appointed the CFO
July 29, 2022	<ol style="list-style-type: none"> 1. Approved the financial statement of 2nd quarter of 2022. 2. Amendment of the table of" Delegation of duties and agent system". 3. Amendment of "'Supervision and Management of Subsidiaries" 4. To obtain financing facility from Land Bank of Taiwan. 5. To set the record date for registration of change of capital for employee stock options exercise request during 3rd quarter of 2022.
Aug. 30, 2022	<ol style="list-style-type: none"> 1. Productivity Reservation Agreement Amendment Agreement 2. Setting up VIVR Corporation in USA. 3. To issue the Company's 2022 Employee Stock Options 4. Amendment of the "rule of compensation for Directors and Committee members.
Oct. 28, 2022	<ol style="list-style-type: none"> 1. Approved the financial statement of 3rd quarter of 2022. 2. To obtain financing facility from Citi Bank (Taiwan). 3. Amendment of the "Rules of Employee stock option issuance and stock purchase plan" per comments from SFB. 4. Setting up CascadeTeq Inc. 5. Appointed the President of AP Memory Technology (Hangzhou) Co. Limited;
Dec. 23, 2022	<ol style="list-style-type: none"> 1. Appointment of the certified public accountant of the Company and auditing fee of 2023. 2. The Annual Audit Plan of 2023. 3. The Company's annual budget of 2023. 4. To obtain financing facility from CTBC Bank. 5. To obtain financing facility from Land Bank of Taiwan. 6. Amendment of "Rules and Procedures of Board of Director Meetings", "Insider Trading Rules", and "Procedures for Ethical Management and Guidelines for Conduct" 7. To set the record date for registration of change of capital for employee stock options exercise request during 4th quarter of 2022. 8. Approved the list of employee stock options per the Company's "The Employee Stock Option Issuance and Share Subscription Plan of 2022." 9. The 2023 compensation plan of CEO and President.
Feb. 24, 2023	<ol style="list-style-type: none"> 1. Approval of the "2022 Statement of Internal Control System" 2. Amendment of "Internal Control System", the "Internal Audit Implementation Rules" 3. Approval of distribution of the Company's 2022 employees bonus and directors compensation. 4. Approval of the Company's 2022 annual individual and consolidated financial statement. 5. Approval of the Company's earnings distribution of cash dividends of 2022. 6. Approval of the Company's earnings distribution plan for the year 2022. 7. To elect eight Directors (including four Independent Directors) 8. Convening the 2023 Annual Shareholders' Meeting. 9. To nominate candidate of Directors. 10. To obtain short-term financing facility from Mega International Commercial Bank.
April 7, 2023	<ol style="list-style-type: none"> 1. Approval of 2022 business report. 2. Approval of non-assurance services provided by certified public accountants and their firms. 3. Examination the qualification of Director candidates. 4. Approved to revise the agenda for 2023 Annual Shareholders' Meeting. 5. To set the record date for registration of change of capital for employee stock options exercise request during 1st quarter of 2023.

Date	Proposals
April 28, 2023	<ol style="list-style-type: none"> 1. Approved the financial statement of 1st quarter of 2023. 2. Agreed the 2022 performance grading and adjustment of the compensation plan of CEO and President. 3. Approved the list of employee stock options per the Company's "The Employee Stock Option Issuance and Share Subscription Plan of 2022." 4. Approval of distribution of the directors compensation. 5. Amendment and renamed "Rules Governing Financial and Business Matters Between this Corporation and related person/parties". 6. Amendment "Corporate Governance Practice Principles"

(12) In the most recent year and up to the publication date of the Annual Report, in case that any director or supervisor has a dissenting opinion, which is on record or stated in a written statement, on any important resolution passed by the Board of Directors, the Company shall state its main content: N/A

(13) In the most recent year and up to the publication date of the Annual Report, the resignations/dismissal of the Company's Chairman, President, accounting supervisor, finance supervisor, internal audit supervisor, corporate governance supervisor, and R&D supervisor are summarized below:

TITLE	NAME	ON-BOARD DATE	DISMISSAL DATE	RESIGNATION OR DISMISSAL DATE
President	Chen, Wen-Liang	May 31, 2020	June 30, 2022	The Board appointed Mr. Hung, Chih-Hsun as President

5. Information of Audit Fee

(1) Audit Fee

Unit: In thousands of NTD

Accounting Firm	Name of CPA	Audit Period	Audit Fee	Non-Audit Fee	Total Amount	Remark
Deloitte & Touche	Chien, Ming-Yen	January 1, 2022 to December 31, 2022	4,700	405	5,105	—
	Chiu, Cheng-Chun					

Explanation: Non-Audit Fee includes transfer pricing reports, declaration of issuance of employee stock options, checklist of full-time employees' salary information for non-supervisory positions, and issuance of GDR.

(2) If the Company has replaced an accounting firm and the amount of audit fee paid in the year of the replacement was less than that in the year preceding the replacement, the Company shall disclose the amount, proportion, and reasons for the reduction of the audit fee: N/A

(3) If the audit fee has been reduced by more than 10% compared with the previous year, the Company shall disclose the amount, proportion, and reasons for the reduction of the audit fee: N/A

6. Information on Replacement of CPA: None

7. The Company's Chairman, President, and managers in charge of its finance or accounting operations holds any positions within the Company's independent audit firm or its affiliates within the last one year: N/A

8. In the most recent year and up to the publication date of the Annual Report, any transfer of equity interests and pledge of or change in equity interests by any director, supervisor, Managerial Officers, and shareholder with 10% shareholdings or more

(1) Net Change in Shareholding by Directors, Supervisors, Managerial Officers, and Major Shareholders

Unit: Share

Title	Name	2022		2022 as of April 30 (Note 3)	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman and CEO	Chen, Wen-Liang	31,040	-	318	-
Director	Shanyi Investment Co., Ltd	250,000	-	-	-
	Representative: Hung, Chih-Hsun	51,248	-	50,261	-
Director	Li Shun Investment Co.	-	-	-	-
	Representative: Hsieh, Ming-Lin	-	-	-	-
Independent Director	Yeh, Jui-Pin	-	-	-	-
Independent Director	Liu, Frank	-	-	-	-
Independent Director	Wang, Hsuan	-	-	-	-
Independent Director	Sun, Elizabeth ^(Note 1)	-	-	-	-
Major Shareholder	Shanyi Investment Co., Ltd	250,000	-	-	-
President	Hung, Chih-Hsun	51,248	-	50,261	-
Senior Vice President	Liu, Chin-Hung	50,288	-	26,252	-
CFO	Lin, Yu-Hsin	138,718	-	221	-
Assistant Vice President	Liu Tsung-Ning	-	-	172	-
Assistant Vice President	Huang, Wei-Cheng ^(Note 2)	-	-	227	-
Accounting and Finance Supervisor	Hung, Mao-Chuan	276	-	154	-
Corporate Governance Supervisor	Hong, Shu-Ling	6,000	-	181	-

Note 1: Took office on May 27, 2022

Note 2: Took office on April 1, 2022

Note 3: The number of stock shares in this table is based on the insider shareholding report as of April, 2023.

- (2) Information of stock trade with related party by any director, supervisor, Managerial Officers, and shareholder with 10% shareholdings or more: N/A

9. Relationship Information, if among the Company's 10 largest shareholders any one is a related party or is the spouse or a relative within the second degree of kinship of another

March 31, 2023; Unit: Share; %

Name	Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Name and Relationship of the 10 Largest Shareholders who is a related party of another as stipulated in the Financial Accounting Standards Bulletin No. 6 or is the spouse or a relative within the second degree of kinship of another		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Shanyi Investment Co., Ltd	26,706,668	16.50%	—	—	—	—	Representative of YAMAICHI HOLDINGS CO., LTD.: Li, Juan	Parent Company	
Representative: Li, Juan	—	—	—	—	—	—			
Huang, Chung-Jen	7,079,006	4.37%	—	—	—	—	RESEN Corporation	Representative of Director	
							JENDAN Investment Inc.	Director	
Deutron Electronics Corporation	6,560,000	4.05%	—	—	—	—	N/A		
Responsible Person: Lo, Ying-Hua	—	—	—	—	—	—			
Wu, Yu-Chan	5,284,000	3.26%	—	—	—	—	N/A		
YAMAICHI HOLDINGS Co., Ltd.	4,558,610	2.82%	—	—	—	—	Representative of Shanyi Investment Co., Ltd: Li, Juan	Subsidiary	
Responsible Person: Li, Juan	—	—	—	—	—	—			
RESEN Corporation	4,424,980	2.73 %	—	—	—	—	Huang, Chung-Jen	Representative of Director	
Responsible Person: Huang, Shu-Min	822,000	0.51%	—	—	—	—			
Yu Hui Investment Co.	4,398,470	2.72%	—	—	—	—	N/A		Note
Responsible Person: Chen, Hui-Chuan	567,970	0.35%	—	—	570,286	0.35%			
Girish	3,682,678	2.28%	—	—	—	—	N/A		
Li, Hsuan-Hsi	2,720,192	1.68%	—	—	—	—	N/A		
JENDAN Investment Inc.	2,661,830	1.64%	—	—	—	—	Huang, Chung-Jen	Director	
Responsible Person: Hunag, Shu-Mei	6,336	0.00%	—	—	—	—			

Note: Holding shares through JHC HOLDINGS INTERNATIONAL LTD.

10. Number of shares held in any re-investment enterprise by the Company, its Directors, Supervisors, Management, and any enterprise directly or indirectly controlled by the Company; Calculate the consolidated shareholding percentage of the above categories.

December 31, 2022; Unit: 1,000 Shares; %

Re-Investment Enterprise	Investment by the Company		Investment by the Directors, Supervisors, Management, and any enterprise directly or indirectly controlled by the Company		Comprehensive Investment	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
AP Memory Corp, USA	2,000	100.00%	-	-	2,000	100.00%
AP Memory Technology (Hangzhou) Corporation	-	100.00%	-	-	-	100.00%
AP Memory Technology (Hong Kong) Co. Limited	-	100.00%	-	-	-	100.00%
APware Technology Corp.	-	100.00%	-	-	-	100.00%
VIVR Corporation	1,000	100.00%	-	-	1,000	100.00%
CascadeTeq Inc	500	100.00%	-	-	500	100.00%

IV Fundraising

1. Capital and Shares

(1) Sources of Capital

April 30, 2022; Unit: In thousands of NTD; 1,000 Shares

Month/ Year	Issue Price (NTD)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital paid in by assets other than cash	Other
March 2022	5	200,000	1,000,000	161,481	807,406	Increase NTD 64,000 thousand due to issue common shares for global depositary receipts	N/A	March 14, 2022 Eco Auth Biz Zhi No.11101035820
April 2022	5	200,000	1,000,000	161,379	806,896	Increase NTD 2,070 thousand due to exercise of employee share options Decrease NTD 2,580 thousand due to retirement of treasury shares	N/A	April 11, 2022 Eco Auth Biz Zhi No.11101041780
June 2022	5	200,000	1,000,000	161,419	807,096	Increase NTD 200 thousand due to exercise of employee share options	N/A	June 14, 2022 Eco Auth Biz Zhi No.11101041780
Aug. 2022	5	200,000	1,000,000	161,491	807,456	Increase NTD 360 thousand due to exercise of employee share options	N/A	Aug. 15, 2022 Eco Auth Biz Zhi No.11101041780
Jan. 2023	5	200,000	1,000,000	161,557	807,786	Increase NTD 330 thousand due to exercise of employee share options	N/A	Jan. 6, 2023 Eco Auth Biz Zhi No.11101251760
April 2023	5	200,000	1,000,000	161,853	809,266	Increase NTD 1,480 thousand due to exercise of employee share options	N/A	April 24, 2023 Eco Auth Biz Zhi No. 11230066330

April 30, 2023; Unit: Share

Type of Stock	Authorized Share Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Common Stock	161,853,246	38,146,754	200,000,000	

(2) Composition of Shareholders

March 31, 2023; Unit: Person; Share; %

Composition of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	6	158	26,065	152	26,381
Shareholding	0	241,000	61,439,629	74,765,381	25,407,236	161,853,246
Holding Percentage	0.00	0.15	37.97	46.19	15.69	100.00

(3) Distribution Profile of Share Ownership

March 31, 2023; Unit: Person; Share; %
NTD5 per share

Shareholding Classification	Number of Shareholders	Shareholding	Holding Percentage
1 ~ 999	9,436	1,303,082	0.81
1,000 ~ 5,000	14,992	25,700,462	15.88
5,001 ~ 10,000	1,087	8,313,547	5.14
10,001 ~ 15,000	254	3,258,736	2.01
15,001 ~ 20,000	163	3,034,805	1.88
20,001 ~ 30,000	143	3,637,564	2.25
30,001 ~ 40,000	70	2,491,195	1.54
40,001 ~ 50,000	45	2,055,723	1.27
50,001 ~ 100,000	72	5,058,517	3.13
100,001 ~ 200,000	57	8,234,325	5.09
200,001 ~ 400,000	24	6,919,550	4.28
400,001 ~ 600,000	14	7,018,980	4.34
600,001 ~ 800,000	6	4,335,812	2.68
800,001 ~ 1,000,000	2	1,691,536	1.05
Over 1,000,001	16	78,799,412	48.65
Total	26,381	161,853,246	100.00

(4) List of Major Shareholders

If there are less than 10 shareholders with shareholding ratio of 5% or more, the names, amounts and proportions of the top 10 shareholders shall be disclosed.

March 31, 2023; Unit: Share; %

Name of Major Shareholders	Shares	Shareholding	Holding Percentage
Shanyi Investment Co., Ltd		26,706,668	16.50
Huang, Chung-Jen		7,079,006	4.37
Deutron Electronics Corporation		6,560,000	4.05
Wu Yu-Chan		5,284,000	3.26
YAMAICHI HOLDINGS CO., LTD.		4,558,610	2.82
RESEN CORPORATION		4,424,980	2.73
Yu Hui Investment Co.		4,398,470	2.72
Girish		3,682,678	2.28
Li Hsuan-Hsi		2,720,192	1.68
JENDAN INVESTMENT INC.		2,661,830	1.64

(5) Market price, net worth, earnings, and dividends per common share, and related information

Unit: NTD; 1,000 shares

Item		Year	2021	2022	The current year as of April 30, 2023 (Note 5)
Market Price Per Share	Highest		625.00	504.00	342.00
	Lowest		372.50	137.00	165.00
	Average		510.66	247.10	281.80
Net Worth Per Share	Before Distribution		32.22	67.78	61.25
	After Distribution		25.71	60.77 ^(Note 1)	-
Earnings Per Share	Weighted Average Shares		148,148	160,602	161,724
	Earnings Per Share	Before Retrospectively Adjustment	13.67	12.09	0.39
Dividends Per Share	Cash Dividends		5.99628435	7.00 ^(Note 1)	-
	Issuance of Bonus Shares	Stock Dividend from Earnings	-	-	-
		Capital Surplus Allotment	-	-	-
	Accumulated Undistributed Dividend		N/A	N/A	-
Return on Investment	Price/Earnings ratio ^(Note 2)		27.55	20.44	-
	Price/Dividends ratio ^(Note 3)		62.78	35.30	-
	Cash Dividend Yield ^(Note 4)		1.59%	2.83%	-

Note 1: The Company's earning distribution proposal for 2022 has been approved by the Board of Directors and is waiting for submission to the 2023 Annual Meeting of Shareholders.

Note 2: Price/Earnings Ratio = Average Market Price/ Diluted Earnings Per Share

Note 3: Price/Dividend Ratio = Average Market Price/Cash Dividends Per Share

Note 4: Cash Dividend Yield = Cash Dividends Per Share/ Average Market Price

Note 5: Net Worth Per Share and Earnings Per Share are the data reviewed by the accountant in the 1st quarter of 2023.

(6) The Company's Dividend Policy and Implementation Status

A. The Company's Dividend Policy

After closing of accounts, if there are earnings, the Company shall first make up the losses of the previous years and then set aside 10% of said earnings as legal reserve (however, where such legal reserve amounts to the total paid-in capital, this provision shall not apply). The Board of Directors shall prepare an earning distribution proposal by adding the unappropriated accumulated retaining earnings of the previous years to the special reserve which has been set aside as required by law or by the competent authority.

If the earning distribution proposal referred to in the preceding paragraph is in the form of issuing new shares, it shall be submitted to the shareholders' meeting for approval. In accordance with the provisions of the Company Act, the Company authorizes the distributable dividends, statutory legal reserve, or capital reserve in whole or in part to be paid in the form of cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition, there to a report of such distribution shall be submitted to the shareholders' meeting.

Considering the Company's environment and stage of growth, as well as future capital needs and long-term financial planning, the Company's dividends may be distributed in the form of cash or stock, the proportion of which shall not be less than 20% of the shareholders' dividend distribution.

The aforesaid dividend distribution ratio may be adjusted by resolution of the shareholders' meeting in light of the Company's actual profit and financial situation in the current year.

B. Dividend Distribution

Unit: NTD

Year		2022
Dividends per share		
Cash Dividends		7.0
Issuance of Bonus Shares	Earnings	0
	Capital Surplus	0
Total		7.0

The above table is the cash dividends approved by the Board of Directors on February 24, 2023, which was calculated based on the number of outstanding shares on the book closure date of the shareholders' meeting. The actual dividend distribution and dividend ratio shall be calculated according to the actual number of outstanding shares on the ex-dividend base date.

C Whether significant changes in dividend policy are expected: N/A.

(7) Impact to the Company's business performance and earnings per share resulting from this annual stock dividend distribution: Not applicable.

(8) Compensation of Employees, Directors, and Supervisors

A. The percentage or range of compensation to Employees, Directors, and Supervisors specified in the Company's Articles of Association

The Company shall allocate no less than 1% of its annual pre-tax net profit before deducting the compensation of employees, directors, and supervisors as the employees' compensation, and no more than 3% as the compensation of directors and supervisors. However, if the Company still has accumulated losses (including adjusting the amount of undistributed earnings), it shall reserve the amount of the losses.

Employees' compensation may be paid in the form of stock or cash, and the recipients may include employees of affiliated companies who meet certain conditions. Directors compensation will be paid in cash only.

B. The basis for estimating the compensation amount of employees, directors, and supervisors, for calculating the number of shares to be distributed as employee compensation, and the accounting handling of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

The compensation for employees, directors, and supervisors in 2023 are estimated at 1.41% and 0.20% of the pre-tax profit before deduction of the compensation for employees and directors respectively, which were allocated in cash by the resolution of the Board of Directors on February 24, 2023.

C. Distribution of Compensation approved by the Board of Directors

(i) The amount of employees compensation distributed in cash or stock and the compensation for directors and supervisors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the Company shall disclose the amount of the discrepancy, the reasons, and the handling situation.

The Board of Directors of the Company adopted the resolution on February 24, 2023 to distribute in cash the compensation of NTD35,191 thousand to the employees and NTD 5,000 thousand to the directors in 2022, which had no difference with the estimated figure for the fiscal year these expenses are recognized.

(ii) The amount of employees compensation distributed in stock, and its proportion in the current period of individual financial statements of parent company or individual financial statements net profit after tax and the total amount of employees compensation.

Not applicable as the Board of Directors only decided to distribute the employees compensation in cash.

D. The actual distribution of compensation to employees, directors, and supervisors for the previous year (including number of shares allocated, amount, and share price). If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the Company shall disclose the amount of the discrepancy, the reasons, and the handling situation:

The Board of Directors of the Company adopted the resolution on Feb 25, 2022 not to distribute directors and employees compensation, which had no difference with the estimated figure stated in the financial statements of 2021.

(9) Buyback of Common Stock

A. In the most recent year and up to the publication date of the Annual Report, the Company did not buy back any common stock.

B. In order to transfer the shares to the employees, the Board of Directors of the Company adopted the resolution on October 8, 2018 for buyback treasury shares. The period of repurchase of treasury shares was October 9, 2018 to December 8, 2018; repurchase of treasury shares amounting to 258,000 shares and at the purchase price of NTD11,246 thousand. On February 25, 2022, by resolution of the Board of Directors, the Company retired its treasury shares and completed the registration of the relevant changes.

C. In order to transfer the shares to the employees, the Board of Directors of the Company adopted the resolution on May 14, 2019 for buyback treasury shares. The period of repurchase of treasury shares was May 15, 2019 to July 12, 2019; repurchase of treasury shares amounting to 1,500,000 shares and at the purchase price of NTD55,325 thousand. On August 9, 2019, by resolution of the Board of Directors, the Company retired 1,500,000 of its treasury shares and completed the registration of the relevant changes.

2. Corporate Bonds: N/A
3. Preferred Shares: N/A
4. Depository Receipt:

Item		Issue Date	January 25, 2022
Issuance and listing		Luxembourg Exchange	
Total amount		US\$189,760,000	
Offering price		US\$29.65 per GDS	
Number of GDS issued		6,400,000 GDS	
Sources of the securities underlying the GDS		Issuance of new common shares by cash capital increase for sponsoring GDS issuance	
Number of shares represented by each GDS		Each GDS represents 2 common share	
Rights and obligations of GDS holders		The new common shares have the same rights and obligations as the Company's existing issued and outstanding common shares	
Trustee		None	
Depository bank		Citibank, N.A.	
Custodian bank		Citibank Taiwan Limited	
Outstanding balance		0 units	
Treatment of expenses incurred at issuance and thereafter		Borne by the issuing company	
Important conventions about depository and escrow agreement		Please refer to the depository and custodian contract	
Market price per unit	Current year to April 30, 2023	Highest	US\$22.0
		Lowest	US\$11.3
		Average	US\$17.6

5. Status of Employee Stock Options Plan

(1) Status of Employee Stock Options before the expiration date

March 31, 2023

Type of Employee Stock Options	2 nd time in 2016	2018		2019	2020		2021	2022
Approval Date	December 26, 2016	September 14, 2018		July 11, 2019	September 15, 2020		September 24, 2021	September 28, 2022
Total number of unit	1,200,000	1,400,000		750,000	400,000		270,000	1,000,000
Issue Date	January 25, 2017	November 9, 2018	April 26, 2019	December 20, 2019	September 26, 2020	March 12, 2021	April 29, 2022	December 23, 2022
Number of unit issued	680,000	692,000	8,000	750,000	319,000	69,430	267,000	426,330
Number of units still available for issuance	0	0		0	0		0	573,670
Ratio of shares exercisable to the total number of shares issued	0.20%	0.41%	0.01%	0.84%	0.40%	0.09%	0.16%	0.61%
Duration	10 Years	10 Years		10 Years	10 Years		10 Years	10 Years
Exercise method	Issuance of new shares	Issuance of new shares		Issuance of new shares	Issuance of new shares		Issuance of new shares	Issuance of new shares
Vesting period and percentage (%)	Duration of the option grant and the percentage of the maximum number of exercisable options accumulated: (1) Two years after the duration of the option grant: 40% of the total options granted (2) Three years after the duration of the option grant: 70% of the total options granted (3) Four years after the duration of the option grant: Free to exercise the remaining stock options.	Duration of the option grant and the percentage of the maximum number of exercisable options accumulated: (1) Two years after the duration of the option grant: 25% of the total options granted (2) Three years after the duration of the option grant: 25% of the total options granted (3) Four years after the duration of the option grant: 25% of the total options granted (4) Five years after the duration of the option grant: Free to exercise the remaining stock options.	Duration of the option grant and the percentage of the maximum number of exercisable options accumulated: (1) Two years after the duration of the option grant: 25% of the total options granted (2) Three years after the duration of the option grant: 50% of the total options granted (3) Four years after the duration of the option grant: 75% of the total options granted (4) Five years after the duration of the option grant: Free to exercise the remaining stock options.	Duration of the option grant and the percentage of the maximum number of exercisable options accumulated: (1) Two years after the duration of the option grant: 25% of the total options granted (2) Three years after the duration of the option grant: 50% of the total options granted (3) Four years after the duration of the option grant: 75% of the total options granted (4) Five years after the duration of the option grant: Free to exercise the remaining stock options.	Duration of the option grant and the percentage of the maximum number of exercisable options accumulated: (1) Two years after the duration of the option grant: 25% of the total options granted (2) Three years after the duration of the option grant: 50% of the total options granted (3) Four years after the duration of the option grant: 75% of the total options granted (4) Five years after the duration of the option grant: Free to exercise the remaining stock options.	Duration of the option grant and the percentage of the maximum number of exercisable options accumulated: (1) Two years after the duration of the option grant: 25% of the total options granted (2) Three years after the duration of the option grant: 50% of the total options granted (3) Four years after the duration of the option grant: 75% of the total options granted (4) Five years after the duration of the option grant: Free to exercise the remaining stock options.	Duration of the option grant and the percentage of the maximum number of exercisable options accumulated: (1) Two years after the duration of the option grant: 25% of the total options granted (2) Three years after the duration of the option grant: 50% of the total options granted (3) Four years after the duration of the option grant: 75% of the total options granted (4) Five years after the duration of the option grant: Free to exercise the remaining stock options.	Duration of the option grant and the percentage of the maximum number of exercisable options accumulated: (1) Two years after the duration of the option grant: 25% of the total options granted (2) Three years after the duration of the option grant: 50% of the total options granted (3) Four years after the duration of the option grant: 75% of the total options granted (4) Five years after the duration of the option grant: Free to exercise the remaining stock options.
Shares Exercised	323,200 股	446,000 shares	6,000 share	518,000 share	30,000 share	0 share	0 share	0 share
Value of Shares Exercised	NTD 23,134,176	NTD 12,546,300	NTD 171,000	NTD 21,465,000	NTD 4,842,000	NTD 0	NTD 0	NTD 0
Number of unexercised shares	0 (Note 1)	111,000 (Note 2)	4,000	417,000 (Note 3)	252,250 (Note 4)	63,850 (Note 5)	241,813 share (Note 6)	411,180 share (Note 7)
Subscription price per share of the unexercised shares	NA	NTD 21.6	NTD 21.1	NTD 40.4	NTD 161.4	NTD 377.7	NTD 246.0	NTD 170.0
Ratio of the number of unexercised shares to the total number of issued shares	-	0.13%	0.00%	0.52%	0.31%	0.08%	0.15%	0.25%
The effect on shareholders' equity	No significant impact to the dilution of equity of the original common shareholders. It can attract and retain the talents needed and improve the centripetal force of the employees, which has positive benefit to the development of the Company.	No significant impact to the dilution of equity of the original common shareholders. It can attract and retain the talents needed and improve the centripetal force of the employees, which has positive benefit to the development of the Company.	No significant impact to the dilution of equity of the original common shareholders. It can attract and retain the talents needed and improve the centripetal force of the employees, which has positive benefit to the development of the Company.	No significant impact to the dilution of equity of the original common shareholders. It can attract and retain the talents needed and improve the centripetal force of the employees, which has positive benefit to the development of the Company.	No significant impact to the dilution of equity of the original common shareholders. It can attract and retain the talents needed and improve the centripetal force of the employees, which has positive benefit to the development of the Company.	No significant impact to the dilution of equity of the original common shareholders. It can attract and retain the talents needed and improve the centripetal force of the employees, which has positive benefit to the development of the Company.	No significant impact to the dilution of equity of the original common shareholders. It can attract and retain the talents needed and improve the centripetal force of the employees, which has positive benefit to the development of the Company.	No significant impact to the dilution of equity of the original common shareholders. It can attract and retain the talents needed and improve the centripetal force of the employees, which has positive benefit to the development of the Company.

Note 1: Excluding the cancellation of 363,800 units due to resignation. Note 2: Excluding the cancellation of 296,000 units due to resignation. Note 3: Excluding the cancellation of 74,000 units due to resignation. Note 4: Excluding the cancellation of 51,750 units due to resignation. Note 5: Excluding the cancellation of 5,580 units due to resignation. Note 6: Excluding the cancellation of 25,187 units due to resignation. Note 7: Excluding the cancellation of 15,150 units due to resignation.

Note 8: The number of shares available for subscription per unit of the outstanding and unexpired employee stock options issued prior to the date of par value change of share, October 15, 2021, has been adjusted in accordance with the formula set forth in the "The Employee Stock Option Issuance and Share Subscription Plan".

(2) In the most recent year and up to the publication date of the Annual Report, employee stock options granted to Managerial Officers Team and to top 10 employees.

March 31, 2023; Unit: New Taiwan dollars; Share

	Title	Name	Number of Options Granted	% of Shares Exercisable to Outstanding Common Shares	Exercised				Unexercised			
					Shares Exercised	Exercise Price Per Share	Value of Shares Exercised	% of Shares Exercised to Outstanding Common Shares	Shares Un-excised	Adjusted Grant Price Per Share	Value of Shares Unexercised	% of Shares Unexercised to Outstanding Common Shares
Officers	CEO & CTO	Chen, Wen-Liang	799,590	0.49%	192,000	\$21.6~ 44.3	\$7,584,600	0.11%	607,590	\$21.6~ \$377.7	\$80,841,348	0.37%
	President	Hung, Chih-Hsun										
	Senior Vice President	Liu, Chin-Hung										
	Vice President	Lin, Yu-Hsin										
	Assistant Vice President	Liu Tsung-Ning										
	Assistant Vice President	Huang, Wei Cheng										
	Accounting and Finance Supervisor	Hung, Mao-Chuan										
	Corporate Governance Supervisor	Hong, Shu-Ling										
Employees (Remark)	Senior Manager	Wang, Mei-Hsien	1,075,785	0.66%	425,500	\$40.4~ 161.4	\$16,853,000	0.26%	650,285	\$21.6~ \$377.7	\$35,941,802	0.40%
	Senior Manager	Wang, Jian Gang										
	Senior Manger	Ho, Yi-Zhong										
	Senior Manager	Lin, Jun-Yi										
	Senior Manager	Kuo, Chang-Li										
	Senior Manager	Chen, Bing-Ze										
	Senior Manager	Huang, Zhong-Qiqng										
	Senior Manager	Hunag, Jian-Zhang										
	Division Head	Huang, Jing-Lun										
	Chief Engineer	Jia, Syue-Jhen										

Note 1: Sorted by Chinese last name stroke.

Note 2: Statistics based on stock options that were still exercisable as of March 31, 2023.

Note 3: The number of shares available for subscription per unit of the outstanding and unexpired employee stock options issued prior to the date of par value change of share, October 15, 2021, has been adjusted in accordance with the formula set forth in the "The Employee Stock Option Issuance and Share Subscription Plan".

6. New restricted stock award shares issued to employees: None.

7. Status of new share issuance in connection with mergers or acquisitions: None.

8. Implementation of funding utilization plan :

Year 2022 issued new common shares to be offered in the form of Global Depository Shares.

(1) Description of Plan

A. Proceeds Needed from the Plans : US\$200,001 thousands, converting to NT\$5,700,032 thousands.

B. Sources of Proceeds : Issued new common shares to be offered in the form of Global Depository Shares.

C. Use of Proceeds Plan and Schedule :

Unit : thousands

Plan		Expected Date of Completion	Expected Amount		Year 2022				Year 2023				Year 2024			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Purchase of machinery equipment	Purchase of machinery equipment	2024Q4	US\$	152,000	-	-	43,000	5,000	11,000	6,000	5,000	50,000	10,000	2,000	10,000	10,000
			NT\$	4,332,000	-	-	1,225,500	142,500	313,500	171,000	142,500	1,425,000	285,000	57,000	285,000	285,000
Investment in the resources of research and development	R&D team setup	2024Q4	US\$	44,352	1,036	2,576	2,576	2,576	2,576	3,096	3,804	3,864	4,488	5,112	6,208	6,440
			NT\$	1,264,032	29,526	73,416	73,416	73,416	73,416	88,236	108,414	110,124	127,908	145,692	176,928	183,540
	IC design software cost	2024Q4	US\$	3,649	15	219	219	219	219	265	306	331	388	438	480	550
			NT\$	104,000	428	6,242	6,242	6,242	6,242	7,553	8,721	9,434	11,058	12,483	13,680	15,675
Total			US\$	200,001	1,051	2,795	45,795	7,795	13,795	9,361	9,110	54,195	14,876	7,550	16,688	16,990
			NT\$	5,700,032	29,954	79,658	1,305,158	222,158	393,158	266,789	259,635	1,544,558	423,966	215,175	475,608	484,215

D. Estimated Benefits

- (A) Building up the production line with TSV technology to improve operation profit ability.
 (B) Enhance medium/long-term R&D momentum, and reduce exchange rate risks caused by paying foreign currency for research fees and software.
 (C) Purchase of machinery and equipment-Increase the product volume of specific project and improve the operation efficiency.

- (i) Estimated benefit and capital recovery period from purchasing machinery

Unit: In thousands of NT\$/Piece

Year	Production	Increase in production volume	Increase in sales volume	Increase in sales value	Increase in operating gross profit	Increase in operating profit
2022	RAM Wafer	-	-	-	(129,675)	(129,675)
2023	RAM Wafer	28,000	18,000	1,539,000	661,770	307,800
2024	RAM Wafer	49,000	46,000	3,933,000	1,691,190	786,600
2025	RAM Wafer	60,000	58,000	4,959,000	2,132,370	991,800
2026	RAM Wafer	60,000	60,000	5,130,000	2,205,900	1,026,000
Total estimated benefit		197,000	182,000	15,561,000	6,561,555	2,982,525

- (ii) Capital recovery period

Expected to recover total cost amount (NT\$ 4,332,000 thousand dollars) of the project in 2026.

Unit: In thousands of NTD

Year	Operating profit (A)	Depreciation expense(B)	Cash Flow (C)=(A)+(B)	Accumulated cash inflow
2022	(129,675)	129,675	-	-
2023	307,800	447,450	755,250	755,250
2024	786,600	792,300	1,578,900	2,334,150
2025	991,800	866,400	1,858,200	4,192,350
2026	1,026,000	866,400	1,892,400	6,084,750

- (D) Investment in the resources of research and development - Strengthen the company's competitiveness and enhance the effectiveness of operation.

- (i) Estimated benefit and capital recovery period from purchasing machinery

Unit: In thousands of NTD

Year	Projects	Increase in sales value from the project	Increase in operating gross profit from the project	Increase in research expenses from the project	Increase in benefits from the project
2022	Chiplet	51,300	51,300	268,928	(217,628)
2023	Chiplet	111,150	111,150	412,140	(300,990)
2024	Chiplet	153,900	153,900	686,964	(533,064)
2025	Chiplet	196,650	196,650	-	196,650
2026	Chiplet	239,400	239,400	-	239,400
2027	Chiplet	342,000	342,000	-	342,000
2028	Chiplet	342,000	342,000	-	342,000
Total estimated benefit		1,436,400	1,436,400	1,368,032	68,368

- (ii) Capital recovery period

Expected to recover total cost amount (NT\$ 1,368,032 thousand dollars) of the project in 2028.

(2) Status of Implementation

Unit: thousand

Plan	Status of Implementation		Amount as of March 31, 2022		Reason of schedule changed and improvement plan
			US\$	NT\$	
Purchase of machinery equipment	Amount to be used	Estimated	US\$	59,000	As of March 31, 2012, only 2.18% of the GDR was utilized and the overall execution progress was poor. The Company's overall execution progress was poor, except for the IC design software, which was ahead of schedule. This is mainly due to the impact of the recession in the Memory industry and the unstable global political and economic situation. We will continue to purchase software tools for research and development until the overall market and environment stabilizes and the memory industry gradually recovers. And we will invest in research and development after the overall market and environment stabilize and the memory industry gradually recovers.
			NT\$	1,681,500	
	Actual	US\$	-		
		NT\$	-		
% of execution	Estimated	38.81			
	Actual	-			
R&D team setup	Amount to be used	Estimated	US\$	11,340	
			NT\$	323,190	
	Actual	US\$	2,170		
		NT\$	65,735		
% of execution	Estimated	25.56			
	Actual	5.20			
IC design software cost	Amount to be used	Estimated	US\$	891	
			NT\$	25,396	
	Actual	US\$	2,188		
		NT\$	67,592		
% of execution	Estimated	24.41			
	Actual	64.99			
Total	Amount to be used	Estimated	US\$	71,231	
			NT\$	2,030,086	
	Actual	US\$	4,358		
		NT\$	133,327		
% of execution	Estimated	35.62			
	Actual	2.18			

V Operation Overview

1. Business Activities

(1) Business scope: AP Memory is a professional integrated circuit (IC) design company, engaging in the research and development, design, manufacturing and sales of customized memory, and provides technical support and authorization of Silicon intelligence property, as a leading manufacturer in the world in designing non-standard memory ICs. With superior quality and integrated services, the Company assists customers in achieving their goals and launching innovative and world-changing products.

A. The main contents of the business registered with the Department of Commerce, Ministry of Economic Affairs:

- (i) CC01080 Electronics Components Manufacturing
- (ii) F401010 International Trade
- (iii) I501010 Product Designing
- (iv) F601010 Intellectual Property Rights
- (v) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

B. Sales-to-revenue ratios of major product items

Unit: In thousands of NTD ; %

Product item	Year	2021		2022	
		Net operating revenue	Ratio (%)	Net operating revenue	Ratio (%)
Memory IC chips Sales revenue		6,318,944	95.49	4,646,381	91.20
Service revenue		139,566	2.11	277,245	5.44
License and Royalty revenue		154,095	2.33	152,451	2.99
Other revenue(Remark)		4,610	0.07	18,698	0.37
Total		6,617,215	100.00	5,094,775	100.00

Source: Financial statements audited and attested by CPAs.

Remark : Other revenue represents the revenue from the sale of engineering products and sample.

C. Current products (services) and applications

The Company is a professional integrated circuit (IC) design company whose main business is the design, manufacturing and sales of memory-related IC products, and its business is as follows:

(i) IoT related memory products can be divided into the following three categories:

It is mainly used in functional cell phones and Internet of Things related products, and the Company is a major global leader in providing these products.

a. Pseudo SRAM

It has the advantages of low pin count, small size, and low power, mainly for applications like wearable devices and IoT-related products. The Company is the major leader.

b. Low Power DRAM

It has the characteristics of adequate density and low power consumption, which can be used in smart phones and various mobile devices.

c. Power-efficient Customized DRAM

In addition to low pin count, small size, and low power, this product line provide even higher bandwidth at lower power, suitable for the next-generation high-performance IoT applications.

(ii) AI Memory, licensing and design services

A large number of calculations of artificial intelligence require the use of large-

capacity, high-speed cache memory to enable the system to perform calculations quickly, and are widely used in Machine learning and Inference.

The company's customized high-speed memory (VHM™) products and designs can improve system performance through the integration of heterogeneous wafers through 3D stacking technology (3DIC). Compared with HBM, VHM™ has advantages in bandwidth and power consumption. In addition to AI, it can also be applied to high-speed computing, Networking and other fields.

D. New products (services) planned to be developed

The Company continues to provide innovative DRAM solutions and continue to invest in R&D resources to develop the following new products and applications.

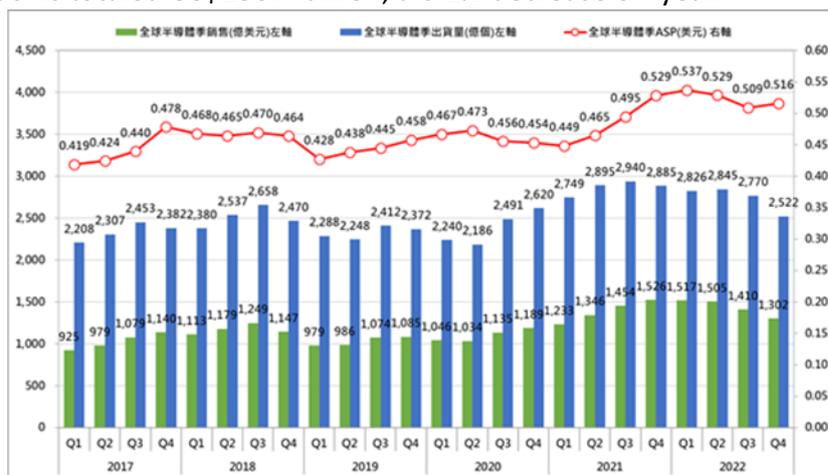
- (i) Ultra-low power memory products used in wearable devices and IoT edge devices
- (ii) Customized memory for Artificial Intelligence (AI) applications
- (iii) Application areas of WoW 3D customized VHM (Very High-bandwidth Memory)
- (iv) LPDDR4 memory used in next-generation 5G communications
- (v) In Memory Computing
- (vi) Silicon Capacitor; Integrated Passive Device (IPD)

(2) Industry overview

A. The present industry status and development

(i) Current industry status

The supply chain issues caused by COVID-19 pandemic in 2021, as well as the rise of the stay-at-home economy, led to a global shortage in the IC market. However, in 2022, due to geopolitical instability, inflation, and the ongoing pandemic, the economy reversed, leading to high inventory levels in Taiwan's IC design industry and weakened end-demand, which impacted the sales momentum. According to WSTS statistics, 2022 worldwide semiconductor revenue totaled US\$573.5 billion, only a slight year-to-year growth of 3.2%, while Asia Pacific totaled US\$150.4 billion, a 0.1% decrease on-year.



Source: WSTS; Industry, Science and Technology International Strategy Center, Industrial Technology Research Institute (2023/02)

The global economy is facing uncertainties, and the International Monetary Fund (IMF) has released an updated report on the World Economic Outlook, which predicts a global economic growth rate of 2.9% in 2023, lower than the 3.4% estimated in 2022. Despite many challenges in the overall environment, the semiconductor industry continues to develop steadily. The widespread adoption of 5G and the continuous booming development of applications such as smart cities,

smart homes, and edge computing provide multi-dimensional growth momentum for the global semiconductor industry.

(ii) Overview of Taiwan’s IC industry market

According to the research of ITRI (Institute of Industrial Science and Technology), Taiwan IC revenue in 2022 reached NT\$4,837B (US\$162.3B), 18.5% increase from 2021, with NT\$1,232B in design (US\$41.3B), up 1.4%. Exchange rate NTD/USD is 29.8.

(iii) DRAM market overview

Due to the continued sluggishness of consumer electronic market, sales volume has decreased, and prices have fallen. WSTS estimates that memory sales will decrease by 17.0% to US\$111.624 Billion in 2023. However, as the trends of 5G, AI, and IoT continue to evolve, memory capacity and bandwidth required for various terminal applications will increase significantly, and growth will return on track once economy rebounds. The company focuses on customized IoT memory and AI memory, which are different from traditional standard DRAM and do not follow the fluctuations of DRAM market prices.

2019-2023 Taiwan IC Revenue

Unit: In thousands of NTD

NT\$B	2019	19/18	2020	20/19	2021	21/20	2022	22/21	2023(e)	23(e)/22
Industry Revenue	2,665.6	1.7%	3,222.2	20.9%	4,082.0	26.7%	4,837.0	18.5%	4,564.3	-5.6%
IC Design	692.8	8.0%	852.9	23.1%	1,214.7	42.4%	1,232.0	1.4%	1,080.0	-12.3%
IC Manufacturing	1,472.1	-0.9%	1,820.3	23.7%	2,228.9	22.4%	2,920.3	31.0%	2,821.3	-3.4%
Foundry	1,312.5	2.1%	1,629.7	2.1%	1,941.0	19.1%	2,684.7	38.3%	2,648.6	-1.3%
Memory & Other Manufacturing	159.6	-20.4%	190.6	19.4%	287.9	51.0%	235.6	-18.2%	172.7	-26.7%
IC Packaging	346.3	0.5%	377.5	9.0%	435.4	15.3%	466.0	7.0%	450.0	-3.4%
IC Testing	154.4	4.0%	171.5	11.1%	203.0	18.4%	218.7	7.7%	213.0	-2.6%
Product Revenue	852.4	1.3%	1,043.5	22.4%	1,502.6	44.0%	1,467.6	-2.3%	1,252.7	-14.6%
WW Revenue (US\$B) Growth (%)	468.8	13.7%	412.3	-12.0%	440.4	6.8%	555.9	26.2%	604.6	8.8%

Source: TSIA; Industry, Science and Technology International Strategy Center, Industrial Technology Research Institute (2023/02); (e) indicates an estimate.

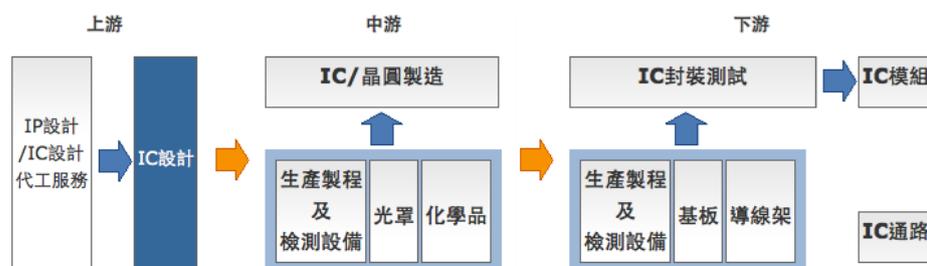
B. Linkage of industry upstream, midstream, and downstream

The IC design industry is located at the front-end of the semiconductor industry and has no upstream relationship, while its mid- and downstream industries are foundry and wafer fabrication, packaging and testing. Different from the major foreign companies which have a vertically integrated structure of design, manufacturing, packaging, and testing, Taiwan’s IC industry has individual companies in each production segment and with its own expertise, forming a horizontal system with division of labor.

IC design companies are knowledge-intensive industries that design and sell their own products or receive design commissions from customers. The IC design industry is an upstream industry in the value chain. Before the final products are

completed, they must be manufactured into semi-finished wafers by professional foundries or IDM factories (integrated semiconductor factories), and then tested in the front end, transferred to professional packaging factories for cutting and packaging; finally they will be tested in the back end by professional testing factories. After testing, the finished products are sold to system manufacturers through sales channels for assembly and production as system products. °

The linkage of the IC design industry ’ s upstream, midstream, and downstream is listed as follows: :



Source: Taipei Exchange, Introduction to the semiconductor industry chain

C. Products’ various development trends

Driven by AI and IoT, the demand for DRAM has become more diversified. Low-power and low-pin-count customized memory with features such as power-saving, high efficiency, and miniaturization have become the mainstream of shipments. The following describes the development trend of the Company’ s products: :

(i) Ultra-low-power

As applications such as wearable devices and IoT Edge Device have higher specifications requirement for power consumption, while requiring even less than one-tenth of the power consumption of traditional DRAM, the Company is the leader in this specification due to its continued focus on the research and development of low power memory.

(ii) Crystal-grain size reduction and fewer pins

By reducing crystal-grain size and increasing the number of wafers produced per unit, the cost of conventional DRAM can be reduced. As the system-on-chip (SoC) continues scaling with the development of logic processes, customers are demanding smaller crystal-grain sizes and fewer pins for DRAM. The Company’s 1-IO, 4-IO and 8-IO memory products are of the industry-leading specifications.

(iii) Wide range of applications

With the widespread adoption of IoT technology, a large number of new applications are emerging. Since IoT devices typically require low power consumption, high efficiency, and small size, the demand for customized memory has correspondingly increased. As more and smaller devices are required to connect to the Internet to share data, PSRAM is no longer limited to traditional functional phone applications, and related Internet of Things devices and wearable devices are generating significant demand for low-power memory (PSRAM and LPDRAM).

(vi) New DRAM applications brought by technology development

The rapid growth of new applications such as artificial intelligence (AI) and supercomputing requires a large amount of data computation and high-bandwidth data transmission, which is even more demanding on DRAM than traditional computing devices. The popularity of AI has not only brought about algorithmic advances, but also various hardware architectures, including CPU, GPU, FPGA, and

ASIC architectures that have emerged to correspond to the relevant AI architecture, leading to various types of DRAM to meet the needs of different application scenarios. AI models need to store and read large amounts of data in memory, so high-performance, high-bandwidth, and low-power memory is required to provide fast data transmission and computation, reduce energy consumption and heat generation, and improve computational efficiency and performance. Our company actively collaborates closely with leading companies in various fields to promote the innovation and development of memory technology, meet the needs of new applications, and promote the development of the industry.

D. Market competition

The DRAM industry has been gradually consolidated after the elimination of weak ones, and only Samsung, Micron and SK Hynix are left in the global DRAM industry. The major domestic DRAM manufacturers are Nanya, Winbond and Powerchip, while Nanya, Winbond, ESMT and Etron are the Company's main competitors in the domestic IC design industry. However, the aforementioned companies are mainly focused on standard memory, while the Company focuses on the design and development of memory products according to customer requirements.

(3) Technology and R&D overview

A. Technology level and research development

The Company has two divisions, the IoT Division and the AI Division. The Company deploys different strategies on different application markets and conducts different research operations on the two divisions respectively.

The Company's IoT BU continues to lead the global IoT RAM market, promoting the Company's PSRAM, Low-power DRAM, IPD products into various applications such as wearable devices, internet of things and artificial IoT, as well as supporting various forms of the products including Known-Good-Die (KGD) and wafer level chip scale package (WLCSP). The annual shipments of IoT BU are approximately 100 million. As the industry leader and framer of the specification, built on the Company's existing technical base, the Company will continue to actively invest resources for R&D and developing new applications for products.

The Company's AI BU has successfully completed the development of the world's first 3D heterogeneous integration of DRAM and logic chip and had forged and created a new market and ecosystem with the launch of the VHM[®] DRAM and IP products line. The royalty-based business model of VHM[®] and VHM[®] LInK IP will bring in royalty and license income before tape out, carrying on the realization of wafer sales income after mass production. AI BU's applications includes Artificial Intelligence (AI) and High-Performance Computing (HPC), AI BU also takes the lead on areas such as High Bandwidth Memory (HBM) and Efficient IO power.

B. R&D expenses invested in the most recent year and as of the printing date of the annual report

The Company's research and development expenses in the most recent two years and the most recent quarter as a percentage of net operating revenue were as follows: in 2020 and 2021, the amount of research and development expenses were NT\$313,530 thousand and NT\$359,104 thousand, respectively. In the first quarter of 2022, with the expansion of the R&D team and the continuous development of new products, the R&D expenses have reached NT\$110,659 thousand. The Company has spared no effort in investing in R&D to build up its R&D strength and to develop new product lines.

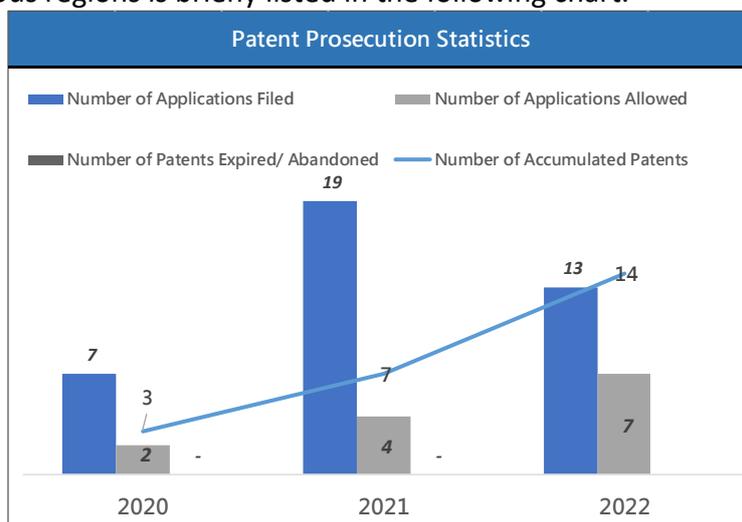
C. Technologies or products successfully developed in the most recent year and as the printing date of the annual report

- (i) Silicon Capacitor; Integrated Passive Device (IPD)
- (ii) Very High-Bandwidth Memory (VHM™)
- (iii) Ultra-High-Speed OPI Pseudo-SRAM
- (iv) Ultra-Low-Swing OPI Pseudo-SRAM

D. Status of the Company's existing patents

The Company establishes complete structure to conduct internal examination, application and management of patents and other intellectual properties. The Company put in place awards mechanism for patent applications to encourage innovation, delivering professional training to enhance research team's ability on designing and developing, and provide benefiting mechanism to attract and hold outstanding people while actively recruiting new and excellent talents. Based on the existing foundation and patent portfolio, the Company will continue to work on achieving innovation and advancing the accumulation of professional experiences as well as elevating the level of our technical strength.

Based on the products' main markets, the Company's patent portfolio at various regions is briefly listed in the following chart.



(4) Long-term and short-term business development plans

A. Short-term business goals

- (i) Create the greatest value for existing customers, with excellent enhanced products, and complete after-sales service and technical support.
- (ii) Continue to expand marketing channels and extend the export markets to the United States and Europe.
- (iii) Continue to maintain good relationships with foundries and testing companies to gain capacity and production cost advantages.
- (iv) Actively develop new application markets for the Company's products in order to expand its industrial distribution.
- (v) Know well about product trends and customer needs to reduce R&D risks.
- (vi) Integrate the Company's management resources, strengthen internal control and corporate governance, and improve operational management efficiency.

B. Long-term operation direction

- (i) With the mission of continuous innovation: As a R&D and design company, AP Memory will keep innovating and let innovation becomes the DNA of AP Memory's employees through regular education and training.

- (ii) By utilizing the existing core memory technology and gradually developing high value-added related products to enhance the overall product competitiveness, AP Memory will become an irreplaceable brand.
- (iii) Maintain a good relationship with existing wafer foundries and testing companies; seek cooperation from new OEM companies to expand OEM supply capacity.
- (iv) Continue the partnership with world-class companies and seek to jointly develop specifications and collaborative development to maintain a long-term partnership.
- (v) Promote cross-industry strategic alliances to accelerate the development of diversified IC product lines other than memory to increase the Company's overall competitive advantage.
- (vi) Integrate management resources and provide timely decision-making information to respond to industry changes and maintain optimal competitiveness.

2. Market and production and sales overview

(1) Market analysis

A. Sales regions of main products

Unit: In thousands of NTD;%

Region	Year	2021		2022	
		Amount	Percentage	Amount	Percentage
China		4,910,559	74%	2,603,812	51%
Japan		277,405	4%	901,998	18%
Taiwan		790,918	12%	542,142	10%
Europe		33,038	1%	46,688	1%
America		6,631	—	45,004	1%
Other		598,664	9%	955,131	19%
Total		6,617,215	100%	5,094,775	100%

B. Market shares

The Industrial Technology Research Institute (IEK) announces the total output value of Taiwan's IC design industry and it was NT1,320 billion in 5155. Based on the Company's consolidated net operating revenue in 2022, the Company's revenue accounts for 0.41% share in the above mentioned output value. As the Company focuses on customized memory-related products and design services, it is estimated based on the industrial output value, resulting in a lower ratio.

C. The market's future supply and demand status and growth

The Company is a professional IC design company whose main core business is to provide customized design of memory-related integrated circuit products. In addition to designing and manufacturing Pseudo SRAM and low power DRAM chips for IoT-related Edge devices, the Company also provides memory solutions for high-bandwidth computing.

The Internet of Things (IoT) is an emerging field that is attracting attention from everyone. By transferring data between devices, machines, and digital machines, small amounts of data packets can be aggregated to a larger node for the uses by individuals and households and the integration and automation of even entire factory facilities, further bringing scattered data closer together and unifying the digital information between things. The memory chips designed and manufactured by the Company have the features of low cost, low power consumption, and high performance, which meet the special needs of the IoT application market, and can be customized to meet customer needs. With increasing applications of the Internet of Things market, it will be

able to continue to expand the market and seize the first opportunity.

With the increasing demand for accurate, real-time, and high-volume data analysis in smart factories, cities, and other scenarios, the integration of AI and IoT is now the order of the day. With the help of AI chips, IoT edge and terminal devices can add value through technologies such as machine learning or deep learning, while bringing advantages such as no latency, low cost, and high privacy, demonstrating the importance of AI chips. Global AI chip production is estimated to reach US\$72 billion by 2025

At the same time, edge computing enables terminal devices to operate more intelligently through AI, not only retaining the advantages of edge computing in terms of latency, privacy, connectivity, power consumption, cost, etc., but also further enabling the system to be proactive and intelligent. From a situational perspective, the main benefits of edge AI compared to traditional edge computing include data processing filtering and edge intelligence analysis, which will be the motivation for the continued integration of the two technologies.

Overall, edge computing enables terminal devices to operate smarter through AI, retaining the advantages of edge computing in latency, privacy, connectivity, power consumption, and cost, and further enabling the system to be proactive and intelligent, with more flexibility in platform management, workload consolidation, and distributed applications. From a situational perspective, the main benefits of edge AI compared to traditional edge computing include data processing filtering and edge intelligence analysis, which will be the motivation for the continued integration of the two technologies.

Data processing and edge analysis are already possible in the past with edge computing, and are further enhanced with AI. In the former case, data can be pre-processed at the edge through intelligent edge computing resources, and only relevant information is sent to the cloud, thus reducing data transmission and storage costs. From the perspective of edge analysis performance, most edge computing resources in the past had limited processing power and their running functions are often single, while edge intelligence analysis is empowered by AI chips to perform more complex operations with low latency and high data throughput.

The Company has already taken the lead in the IoT market and further enhanced its computing performance in AI data processing by WoW of heterogeneous chips, which is expected to be a unique design for the Company to achieve further success.

D. Competitive niche

(i) Experienced management team

The Company's management team members has served in well-known semiconductor companies both domestically and internationally in the past, and the heads of its main departments have extensive experience in the pulse of semiconductor market trends, mastering advanced process technologies and core IC design technologies, and developing and establishing good communication channels with domestic and international chip maker customers. At the same time, the Company has a precise management system, which will greatly help to improve the Company's overall competitiveness in the future.

(ii) Good relationship with suppliers and vendors

The Company has a good long-term relationship with its suppliers and is in full control of product quality and delivery to provide customers with what they need in a timely manner, while improving its cost structure through effective design, which has a positive impact on the Company's business development and profitability.

(iii) Providing complete sales service

The Company designs the required circuit diagrams according to customers' needs, commission the foundry to manufacture them, sell them to customers after testing, and provide customers with technical consultation and support services on the use of the products to meet customers' needs with complete sales services.

(iv) Working with customers to develop product specifications

The Company will discuss and work out product specifications together with customers before product design to design customized products that meet customers' needs and obtain customers' approval by leading the industry in design.

F. Favorable and unfavorable factors for development prospects and response measures

(i) Favorable factors

a. Mobile memory market demand continues to grow

As mobile devices such as smartphones and tablets have become high-growth electronic products in recent years, there is a large demand for mobile memory. Demand for mobile memory is expected to continue to grow year over year due to the increased acceptance of smartphones in emerging markets such as mainland China and the continued demand for tablet PCs.

b. Domestic semiconductor industry's division of labor system is complete, providing IC design companies with sufficient logistical support

Taiwan is the base of the world's leading foundry, with a high market share, high capacity utilization, and complete process technology and experience. Taiwan's semiconductor industry is unique in the world with its unique vertical division of labor in upstream and downstream, and the value chain of the entire IC industry is well-structured with very fine specialization, resulting in industrial clustering, which gives the Company's products a certain advantage in terms of timing and cost control.

c. Research and development personnel are familiar with industry technology and have strong R&D capabilities

As a professional mobile memory IC design company, the Company's R&D team has extensive practical experience, and thus the Company can adjust its product portfolio in accordance with the changing market trend. At present, the Company is actively entering the market of low power DRAM in mobile memory, and continues to increase the application of existing products and extend existing technologies. In addition, the Company is expanding the applications of PSRAM and IoTRAM to new applications such as wearable devices and TWS headphones.

d. Maintain good relationship with global information companies

The Company's main sales customers are the world's leading mobile communication chip makers, with whom the Company has established long-term and stable mutually beneficial relationships, as the Company is able to meet customers' customized needs in a timely manner, which is extremely beneficial to the Company's business development.

(ii) Unfavorable factors and response measures

a. Rapid market changes

As the technology of information and electronic products is updated, if the future trend of the industry is misjudged, it is easy to cause a backlog of inventory, which results in operational risks.

Response measures:

- ① Maintain a good interactive relationship with suppliers and customers, and have first-line contact with customers through R&D centers and business personnel to help grasp market trends and product pulses.
- ② Regular management meetings are held to determine sales plans and revise sales forecasts with regard to sales, taking order, inventory, etc. in order to achieve the goal of accurate sales forecasts.
- ③ Continuously develop new products and innovate functions to understand the product direction of world-class manufacturers and gain market opportunities.

b. DRAM foundry capacity tightens as market competition grows increasingly fierce

The world's major DRAM manufacturers are Samsung, Micron, SK Hynix, etc., and the world's only DRAM wafer foundry is Powerchip Semiconductor Manufacturing Co., Ltd. With competitors and increasingly fierce market competition making product prices more volatile, if coupled with the rising cost of foundry, it will lead to relatively higher operating risks.

Response measures:

- ① Continuously innovate products and functions, and conduct feasibility assessments for vertical and horizontal integration to create added value to its products.
- ② Continuously improve product design modes to increase the reusability of design modules, shorten development and reduce costs, and increase competitiveness.
- ③ Shorten product development time by integrating R&D and cooperation.
- ④ Strengthen the training of talents to enhance the R&D strength to meet the speed of product changes.

c. Products are mainly for exports and subject to the risk of exchange rate fluctuations

Most of the Company's products are exported to Asia, and the prices are mainly denominated in U.S. dollars, so exchange rate changes will affect the Company's profit.

Response measures:

The Company mainly uses offset between foreign currency assets and liabilities as a natural hedge. If there is a need for hedging, it will use the operation of various financial instruments such as forward foreign exchange in a timely manner to avoid possible losses caused by exchange rate fluctuations.

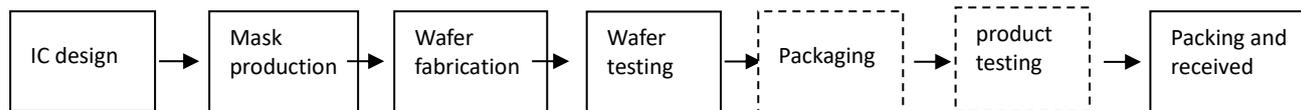
(2) Key applications and production processes of main products

A. Key applications of main products

The Company is mainly to R&D and sell the research and development of customized mobile memory-related integrated circuit chips, which can be used as the cache memory of various mobile devices, and have product features such as small size and low power consumption. The Company's sales and design services are for the cache memory in various mobile devices and edge computing devices, which have product features such as small size, low power consumption, and high performance.

B. Production process

The Company is a professional IC design company, and the IC chips it developed are contracted to foundries and testing houses for production according to each manufacturing process. The flow chart of the product manufacturing process is as follows:



(3) Supply of major raw materials

Major material	Company	Status
Wafer	Company A	Good

(4) Information on the major suppliers and customers

A. The names and procurement values and percentages of suppliers whose procurement accounted for more than 10% of the total procurement in any of the last two years. The reason for the increase and decrease should also be provided.

Unit: In thousands of NTD

	2021				2022				As of the first quarter-end of 2023			
	Name	Amount	As a % of the annual net purchase	Note	Name	Amount	As a % of the annual net purchase	Note	Name	Amount	As a % of the net purchase in the period	Note
1	CompanyA	3,849,357	100.00%	—	CompanyA	2,209,030	100.00%	—	Company A	224,716	100.00%	—
Net purchase		3,849,357	100.00%			2,209,030	100.00%			224,716	100.00%	

Note: Relationship with the Company

Change analysis:

Starting from the second half of 2022, there has been a rapid decline in demand for the semiconductor industry, and the company has been focusing on clearing out existing inventory due to stockpiling. As a result, our procurement demand for 2022 has decreased significantly.

B. The names and sales values and percentages of customers whose sales accounted for more than 10% of the total sales in any of the last two years. The reason for the increase and decrease should also be provided.

Unit: In thousands of NTD

Item	2021				2022				As of the first quarter-end of 2023			
	Name	Amount	As a % of the annual net sales	Note	Name	Amount	As a % of the annual net sales	Note	Name	Amount	As a % of the net sales in the period	Note
1	Customer B	1,297,500	19.61%	—	Customer C	853,139	16.75%	—	Customer D	206,743	28.43%	—
2	Customer A	753,367	11.38%	—	Customer D	736,218	14.45%	—	Customer A	88,948	12.23%	—
3	Other	4,566,348	69.01%	—	Other	3,505,418	68.80%	—	Other	431,480	59.34%	—
Net sales		6,617,215	100.00%			5,094,775	100.00%			727,171	100%	

Remark: Customers with sales of less than 10% of net sales are classified as other

Note: Relationship with the Company

Change analysis:

The demand for terminal applications of our IoT product line has decreased due to the global decline of the semiconductor industry, resulting in a decrease in revenue in 2022. The downturn in the economy and inventory pressure have also affected changes in the proportion of our main customers.

(5) Production volume and value in the last two years

Unit: Thousand Pcs; In thousands of NTD

Year/ Production volume and value	2021			2022		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Main products						
Memory IC chip	(Note)	1,128,242	3,567,097	(Note)	499,434	2,941,694
Total	(Note)	1,128,242	3,567,097	(Note)	499,434	2,941,694

Note: The production of the Company's products is outsourced, so the production capacity cannot be calculated.

Change analysis:

The Company's IoT product line is experiencing a significant decrease in demand for related applications, which impacted production volume and output value in 2022.

(6) Sales volume and value in the last two years

Unit: Thousand Pcs; In thousands of NTD

Year/ Sales volume and value	2021				2022			
	Domestic Sales		Exports		Domestic Sales		Exports	
	Sales volume	Sales value						
Memory IC chip	92,304	550,296	1,010,063	5,768,648	58,113	464,632	419,759	4,181,749
Service revenue	—	43,646	—	95,920	—	72,447	—	204,798
License and Royalty revenue	—	55,895	—	98,200	—	12,266	—	140,185
Other revenue	1,139	859	9,673	3,751	173	758	2,274	17,940
Total	93,443	650,696	1,019,736	5,966,519	58,286	550,103	422,033	4,544,672

Change analysis:

In 2022, the Company's revenue decreased significantly by 23% compared to 2021. In particular, demand from overseas customers was the main driver of revenue growth, with a 59% decrease in export sales and a 24% decrease in export sales. The volume of export sales decreased by 59% and the value of export sales decreased by 24%.

3. Number of employees in the last two years

Unit: Number of persons; years; %

Year		2021	2022	March 31, 2023
Number of employees	Direct (Note)	—	—	—
	Indirect	166	185	177
	Total	166	185	177
Average age		37.7	37.9	38.1
Average service years (years)		3.5	3.5	3.8
Educational distribution ratio (%)	Ph.D.	3.62	2.72	2.82
	Master's	51.20	51.63	51.98
	University/College	45.18	45.65	45.20
	High school	—	—	—
	Below high school	—	—	—

Note: The Company is in the IC design industry. The production of all products is outsourced and there are no direct personnel.

4. Information on environmental protection expenses

- (1) In accordance with the provisions of the law, for those who are required to apply for a pollution facility installation permit or a pollution discharge permit, or those who are required to pay pollution prevention and control fees, or those who are required to establish a special unit for environmental protection, the application, payment or establishment is explained as follows:
The Company is in the IC design industry, and the production of all products is outsourced. Thus, it is not applicable.
- (2) The Company's investments in major equipment for environmental pollution prevention and control, their uses and potential benefits: Not applicable.
- (3) For the last two years and as of the printing date of the annual report, the Company's process of improving environmental pollution, and if there is a pollution dispute, the Company's process of handling it: Not applicable.
- (4) For the last two years and as of the printing date of the annual report, the losses (including compensation and violations of environmental protection laws and regulations as a result of environmental protection audits) the Company has suffered due to environmental pollution, the estimated amount of current and potential future losses and penalties, as well as its future response measures (including improvement measures) and potential expenses (including the estimated amount of losses, penalties and compensation that may occur if no response measures are taken, and if it cannot be reasonably estimated, the fact that it cannot be reasonably estimated): Not applicable.
- (5) The current pollution status, the impact of its improvement on the Company's earnings, competitive position and capital expenditures, and its projected material capital expenditures for environmental protection in the next two years: Not applicable.

5. Labor-management relationship

- (1) The following parts list various employee benefit measures, education, training, retirement system and its implementation, as well as labor-management agreements and various employee rights protection measures.

A. Various employee benefits, education and training programs

The Company provides benefit programs including: Annual health checkups for employees, irregular employee gathering parties, employee trips, annual bonuses, employee bonuses, parking subsidies, on-the-job training subsidies, special souvenirs, various refreshments, etc. Employees may also apply for various welfare subsidies such as wedding, funeral, and maternity subsidies, and there are also benefit measures such as employee education training and various physical activities. In addition, the Company also provides group insurance and travel insurance for its employees to provide them with a higher level of life protection.

B. Retirement system and implementation

Since July 1, 2005, the new labor retirement system has been implemented. In accordance with the Labor Pension Act, the Company contributes no less than 6% of the monthly wages to the Labor Pension Account in accordance with the Labor Pension Act, and applies for retirement in accordance with the Pension Act and the relevant provisions of the Company's personnel management regulations.

C. Agreements between labor and management and various measures to protect employees' rights and interests

In accordance with the relevant laws and regulations, labor and management shall follow the service agreement, working rules and regulations, which specify the rights and obligations of employees and benefits in order to protect employees' rights and interests. Since its establishment, the Company has established harmonious labor-management relationship, and has actively established a two-way and open communication method. No major labor disputes and losses have occurred.

- (2) In the last two years and as of the printing date of the annual report, losses suffered as a result of labor disputes, the estimated amount aroused at present and may arise in the future, and response measures should be disclosed. If it is impossible to be reasonably estimated, the facts for it cannot be reasonably estimated should be explained. The Company has always attached importance to harmonious labor relations and therefore has not suffered any significant losses due to labor disputes in the last two years and up to the printing date of the annual report.

6. Material contracts

Nature of Contract	Contracting Parties	Term	Summary	Restrictions
Supply and Sales of Products	Customer S	Effective from 2022/05/27	The terms of the sales of APM products.	None
Technical Service	Customer U	Effective from 2022/03/01	Design service of customized products.	None
Technical Service	Customer M	Effective from 2022/08/08	Design service of customized products.	None
Technical Service	Customer P	Effective from 2022/09/01	Design service of customized products.	None
Cyber Security	Vendor T	2022/11/01 ~ 2023/10/31	Provide diagnostic and consulting services on intranet and endpoint security, equipment monitoring and management in server rooms, etc.	None
Depository Receipt	Underwriter C	Effective from 2022/01/20	Providing financial reports and opinions in connection with the issuance of overseas depository receipts	None
Leasing	Tai Yuen Textile Co., Ltd.	2022/12/16 ~ 2024/12/15	Office Leasing	None
Employee Service	LifeLine, HsinChu	Effective from 2022/10/01	Provide individual psychological counseling and consultation to employees	None
Recruitment	Consultant C	Effective from 2022/04/13	providing high-level talent recruitment and management consulting	None

Nature of Contract	Contracting Parties	Term	Summary	Restrictions
Test and Assembly	Supplier S	Effective from 2022/01/01	Terms of testing, assembly and scrap of wafers.	None
Test and Assembly	Supplier T	Effective from 2022/03/01	Terms of testing, assembly and scrap of wafers.	None
Reservation of Capacity	Supplier P	Effective from 2022/08/01	Adjustment to reservation of wafers production capacity.	None

7. Cyber Security Management

- (1) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management:
 - A. Framework of security risk management of Cyber Security:

From 2020, our senior managers have been involved in the planning and development of cyber security projects to review the security risks and propose countermeasures. In addition, in order to improve the governance structure and comply with regulations, the Company plans to form the dedicated cyber security organization by the end of 2023 to coordinate the formulation and implementation of information security-related policies and report the results to the Board of Directors on a regular basis.
 - B. Cyber Security Polices: To protect the information and communication of the company and its partners, and to reduce the possibility of threats, destruction, tampering, and theft by all parties that may affect correctness of financial information then to achieve the goal of sustainable operation.
 - C. Management Solutions:
 - (i) Risk assessment: The implementation of information security risk assessment platform and cooperate with external professional consultant to verify the security of the information communication regularly.
 - (ii) Continuously enhance the ability to protect information and community security: strengthen the firewall and endpoint control equipment to detect abnormal intrusion and other defense mechanisms.
 - (iii) Appropriate authorization management: including control to approach physical server room systems and information environments, Periodic review of personnel and revision of authorization of accounts, applications and databases
 - (iv) Periodically education and drills: Through education and training, social engineering drills and disaster recovery drills for important systems, we will strengthen the awareness of cyber security and confidential information protection.
 - D. Resources for Cyber Security management:
 - (i) Training: All employees are required to have Cyber Security education training.
 - (ii) Information of Cyber Security: Besides announcing the "Cyber Security Management Regulations", delivering security-related information is sent from time to time.
- (2) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

VI Financial overview

1. Summary balance sheet and comprehensive income statement in the past five years

(1) Summary balance sheet

A. Consolidated summary balance sheet

Unit: In thousands of NTD

Item	Year	Financial information for the last five years					Financial information for the current year as of March 31, 2023
		2018	2019	2020	2021	2022	
Current assets		3,358,881	2,428,115	3,310,027	5,124,533	10,446,618	10,639,881
Property, plant and equipment		42,788	14,854	8,009	81,399	80,634	75,318
Intangible assets		199,070	183,913	35,103	16,978	21,711	17,853
Other assets		266,210	550,143	630,261	1,055,733	1,142,348	1,139,598
Total assets		3,866,949	3,177,025	3,983,400	6,278,643	11,691,311	11,872,650
Current liabilities	Pre-distribution	1,226,193	807,128	855,107	1,399,840	672,490	1,910,570
	Post-distribution	1,263,732	880,810	1,225,480	2,368,115	1,804,948	-
Non-current liabilities		2,285	207,340	25,323	83,848	68,254	63,917
Total liabilities	Pre-distribution	1,228,478	1,014,468	880,430	1,483,688	740,744	1,974,487
	Post-distribution	1,266,017	1,088,150	1,250,803	2,451,963	1,873,202	-
Total equity attributable to owners of parent company		2,638,471	2,162,557	3,102,970	4,794,955	10,950,567	9,898,163
Share capital		752,805	738,535	742,848	746,997	808,634	809,266
Capital reserve		851,282	838,388	1,020,722	1,054,788	6,178,947	6,195,793
Retained earnings	Pre-distribution	1,058,957	602,576	1,340,604	2,995,688	3,963,436	2,893,428
	Post-distribution	1,021,418	528,894	970,231	2,027,413	2,830,978	-
Other equity		(13,327)	(5,696)	10,042	8,728	(450)	(324)
Treasury shares		(11,246)	(11,246)	(11,246)	(11,246)	-	-
Non-controlling interests		-	-	-	-	-	-
Total equity	Pre-distribution	2,638,471	2,162,557	3,102,970	4,794,955	10,950,567	9,898,163
	Post-distribution	2,600,932	2,088,875	2,732,597	3,826,680	9,818,109	-

Remark: The cash dividends for the year 2022 have been approved by the Board of Directors, but have yet to be reported to the 2023 Regular Meeting of Shareholders.

B. Parent company only summary balance sheet

Unit: In thousands of NTD

Item	Year	Financial information for the last five years				
		2018	2019	2020	2021	2022
Current assets		2,644,123	1,918,633	2,207,230	4,899,154	10,235,349
Investments accounted for using equity method		1,095,872	739,136	1,103,817	329,481	340,929
Property, plant and equipment		32,769	9,816	5,723	80,347	79,251
Intangible assets		32,452	28,858	13,973	6,098	4,106
Other assets		177,096	437,700	520,609	935,459	996,798
Total assets		3,982,312	3,134,143	3,851,352	6,250,539	11,656,433
Current liabilities	Pre-distribution	1,341,913	769,094	723,463	1,371,736	641,080
	Post-distribution	1,379,452	842,776	1,093,836	2,340,011	1,773,538 (Remark)
Non-current liabilities		1,928	202,492	24,919	83,848	64,786
Total liabilities	Pre-distribution	1,343,841	971,586	748,382	1,455,584	705,866
	Post-distribution	1,381,380	1,045,268	1,118,755	2,423,859	1,838,324 (Remark)
Total equity attributable to owners of parent company		2,638,471	2,162,557	3,102,970	4,794,955	10,950,567
Share capital		752,805	738,535	742,848	746,997	808,634
Capital reserve		851,282	838,388	1,020,722	1,054,788	6,178,947
Retained earnings	Pre-distribution	1,058,957	602,576	1,340,604	2,995,688	3,963,436
	Post-distribution	1,021,418	528,894	970,231	2,027,413	2,830,978 (Remark)
Other equity		(13,327)	(5,696)	10,042	8,728	(450)
Treasury shares		(11,246)	(11,246)	(11,246)	(11,246)	-
Non-controlling interests		-	-	-	-	-
Total equity	Pre-distribution	2,638,471	2,162,557	3,851,352	4,794,955	10,950,567
	Post-distribution	2,600,932	2,088,875	3,480,979	3,826,680	9,818,109 (Remark)

Remark: The cash dividends for the year 2022 have been approved by the Board of Directors, but have yet to be reported to the 2023 Regular Meeting of Shareholders.

(2) Summary comprehensive income statement

A. Consolidated summary comprehensive income statement

Unit: In thousands of NTD, except for the earnings per share in NTD

Item	Year	Financial information for the last five years					Financial information for the current year as of March 31, 2023
		2018	2019	2020	2021	2022	
Operating revenue		4,723,851	3,416,669	3,549,497	6,617,215	5,094,775	727,171
Operating gross profit		697,340	480,641	1,025,671	3,025,608	2,221,381	291,820
Operating profit and loss		89,876	(7,343)	519,746	2,370,157	1,500,520	102,408
Non-operating revenue and expenses		54,512	(347,014)	420,609	144,109	948,763	18,595
Net income (loss) before tax		144,388	(354,357)	940,355	2,514,266	2,449,283	121,003
Continuing operations' current income (loss) before tax		115,471	(322,973)	815,370	2,025,457	1,941,696	62,450
Loss from discontinued operation		-	(72,092)	5,613	-	-	-
Net income (loss) for current period		115,471	(395,065)	820,983	2,025,457	1,941,696	62,450
Other comprehensive income(loss) for the current period		2,369	(1,351)	11,060	(1,314)	4,265	126
Current total comprehensive income (loss)		117,840	(396,416)	832,043	2,024,143	1,945,961	62,576
Net income (loss) attributed to stockholders of the parent company		115,471	(395,065)	811,710	2,025,457	1,941,696	62,450
Net income (loss) attributed to non-controlling interests		-	-	9,273	-	-	-
Comprehensive income (loss) attributed to stockholders of the parent company		117,840	(396,416)	822,735	2,024,143	1,945,961	62,576
Comprehensive income (loss) attributed to non-controlling interests		-	-	9,308	-	-	-
Earnings (loss) per share (Remark)		0.78	(2.67)	5.50	13.67	12.09	0.39

Remark: It is after retrospective application.

B. Parent company only summary comprehensive income statement

Unit: In thousands of NTD, except for the earnings per share in NTD

Item	Year	Financial information for the last five years				
		2018	2019	2020	2021	2022
Operating revenue		2,529,386	3,294,736	3,535,263	6,461,280	4,971,181
Operating gross profit		422,147	294,485	985,579	2,867,926	2,107,359
Operating profit and loss		(25,876)	(125,119)	534,198	2,321,676	1,497,272
Non-operating revenue and expenses		156,478	(300,973)	341,169	191,444	953,040
Net income (loss) before tax		130,602	(426,092)	875,367	2,513,120	2,450,312
Continuing operations' current income (loss) before tax		115,471	(395,065)	811,710	2,025,457	1,941,696
Loss from discontinued operation		-	-	-	-	-
Net income (loss) for current period		115,471	(395,065)	811,710	2,025,457	1,941,696
Other comprehensive income (loss) for the current period		2,369	(1,351)	11,025	(1,314)	4,265
Current total comprehensive income (loss)		117,840	(396,416)	822,735	2,024,143	1,945,961
Net income (loss) attributed to stockholders of the parent company		115,471	(395,065)	811,710	2,025,457	1,941,696
Net income (loss) attributed to non-controlling interests		-	-	-	-	-
Comprehensive income (loss) attributed to stockholders of the parent company		117,840	(396,416)	822,735	2,024,143	1,945,961
Comprehensive income (loss) attributed to non-controlling interests		-	-	-	-	-
Earnings (loss) per share (Remark)		0.78	(2.67)	5.50	13.67	12.09

Remark: It is after retrospective application.

C. Names of attest CPAs and audit opinions in the last five years

Year	Accounting firm	CPAs	Audit opinions
2018	Deloitte & Touche, Taiwan	Wei, Liang-Fa & Chiu, Zheng-Jun	Standard unqualified opinions
2019	Deloitte & Touche, Taiwan	Chiu, Zheng-Jun & Wu, Shi-Zong	Standard unqualified opinions
2020	Deloitte & Touche, Taiwan	Chiu, Zheng-Jun & Wu, Shi-Zong	Standard unqualified opinions
2021	Deloitte & Touche, Taiwan	Chien, Ming Yen & Chiu, Zheng-Jun	Standard unqualified opinions
2022	Deloitte & Touche, Taiwan	Chien, Ming Yen & Chiu, Zheng-Jun	Standard unqualified opinions

2. Financial analysis in the last five years

(1) Consolidated financial analysis

Item		Year	Financial information for the last five years					Financial information for the current year as of March 31, 2023
			2018	2019	2020	2021	2022	
Financial structure	Debt ratio (%)		31.77	31.93	22.10	23.63	6.34	16.63
	Long-term capital ratio (%)		6,171.72	15,954.60	39,059.72	5,993.69	13,665.23	13,226.69
Solvency ratios	Current ratio (%)		273.93	300.83	387.09	366.08	1,553.42	556.90
	Quick ratio (%)		108.88	157.13	313.06	243.81	1,318.14	479.23
	Times interest earned		7,562	(7,806)	33,648	128,971	156,105	39,904
Operating performance	Accounts receivable turnover (times)		6.93	5.05	5.97	9.08	6.82	4.78
	Days' sales in accounts receivable		53	73	62	41	54	77
	Inventory turnover		2.47	1.67	2.36	2.76	1.65	1.08
	Accounts payable turnover ratio		7.89	6.23	9.27	8.58	7.66	10.71
	Days' sales in inventory		148	220	155	133	222	340
	Fixed asset turnover ratio (times)		85.02	118.55	310.50	148.02	62.89	37.30
	Total assets turnover ratio (times)		1.33	0.97	0.99	1.29	0.57	0.25
Profitability	Return on total assets (%)		3.29	(11.12)	22.99	39.51	21.62	2.13
	Return on equity attributed to the owners of the parent company (%)		4.41	(16.46)	30.83	51.29	24.66	2.40
	Profit before tax to capital stock (%)		19.18	(47.98)	126.68	337.88	303.21	59.81
	Net profit margin (%)		2.44	(11.56)	23.13	30.61	38.11	8.59
	Earnings per share (NTD) (Remark)		0.78	(2.67)	5.50	13.67	12.09	0.39
Cash flow	Cash flow ratio (%)		-	38.10	-	172.23	234.15	18.15
	Cash flow adequacy ratio (%)		48.42	43.95	41.18	96.99	112.01	177.47
	Cash flow reinvestment ratio (%)		-	10.86	-	41.01	5.44	3.44
Leverage	Operating leverage		6.30	-	1.77	1.25	1.35	2.37
	Financial leverage		1.02	0.62	1.01	1.00	1.00	1.00

Remark: It is after retrospective application.

Reasons for changes in financial ratios of up to 20% in the last two years:

- The Debt ratio decreased by 73%: The company completed the new shares issuance for GDR in January 2022, raising approximately US\$ 190 million dollars. As a result, total assets increased significantly. Additionally, due to weak demand in the memory market, wafer purchase amount decreased, resulting in a substantial reduction in accounts payable. Consequently, debt ratio decreased by 73%.
- The Long-term capital ratio increased by 128%: The company completed the new shares issuance for GDR in January 2022, raising approximately US\$ 190 million dollars, resulting in a significant increase in total shareholder equity. As a result, the long-term capital ratio increased by 128%.
- The current ratio increased by 324% and quick ratio increased by 441%: The company completed the new shares issuance for GDR in January 2022, raising approximately US\$ 190 million dollars, resulting in a significant increase in total assets. As a result, both the current ratio and quick ratio increased significantly.
- The times interest earned increased by 21%: In 2022, due to the injection of non-operating foreign exchange gains, the total profit amount remained the same level as in 2021. However, due to the decrease in interest expenses, the times interest earned increased by 21%.
- Accounts receivable turnover decreased by 25% and Days' sales in account receivable increased by 32%: In 2022, due to the semiconductor industry's downturn and weak demand, the company's net sales decreased by approximately 23%. However, while maintaining the average balance of accounts receivable, the accounts receivable turnover ratio decreased to 6.82, and although the average collection period slightly increased, the overall collection situation remained quite good.
- Inventory turnover decreased by 40% and Days' sales in inventory increased by 67%: In the first half of 2022, inventory increased for stocking purposes. And then in response to weakening demand in the second half of 2022, the company strengthened inventory control and continued to clear out existing inventory. However,

inventory remained at a high level, with average inventory of 2022 increasing by approximately 34% compared to 2021. As a result, the inventory turnover ratio decreased to 1.65, and the days' sales in inventory increased to 222 days.

7. The fixed asset turnover ratio decreased by 57%: In 2022, due to the semiconductor industry's reversal of fortunes and weak demand, the company's net sales decreased. With little change in fixed asset, the turnover ratio decreased significantly.
8. The total assets turnover ratio decreased by 56%: The issuance of GDR raised approximately US\$ 190 million dollars, resulting in a significant increase in total assets. As a result, the total asset turnover ratio decreased.
9. The return on total assets decreased by 45%, return on equity decreased by 52%, and net profit margin increased by 25%: In 2022, due to the injection of foreign exchange gain, the total profit amount remained the same level as in 2021. However, the issuance of GDR resulted in a significant increase in total assets and equity, leading to a significant decrease in return on total assets and equity. Additionally, due to the weak demand causing a decrease of approximately 23% in net revenue, the net profit margin increased by 25%.
10. Cash flow ratio increased by 36% and Cash flow reinvestment ratio decreased by 87%: Due to the weak demand and reduced wafer purchasing, the accounts payable of the company decreased significantly, leading to a reduction in current liabilities and an increase in the cash flow ratio. In addition, the issuance of GDR increased the company's operating capital substantially, resulting in a decrease of 87% in the cash flow reinvestment ratio.

Reasons for changes in financial ratios of up to 20% from the most recent period to the most recent year:

1. The Debt ratio increased by 162%: At the end of 2023Q1, the company's total assets remained the same level as at the end of 2022. However, the total liabilities increased due to the dividend payable of NT\$ 1.13 billion dollars, resulting in a significant increase in the debt ratio.
2. The current ratio and quick ratio decreased by 64%, and the times interest earned increased by 50%: The liability increased significantly due to the dividend payable of NT\$ 1.13 billion dollars, resulting in a decrease in both the current ratio and quick ratio.
3. The times interest earned decreased by 74%: In the first quarter of 2023, the company was adversely affected by the sluggish economy and the slow recovery of demand. In addition, the non-operating foreign exchange gain in 2022 provided a significant boost. As a result, the times interest earned decreased significantly by 74%.
4. Accounts receivable turnover decreased by 30% and Days' sales in account receivable increased by 43%: In the first quarter of 2023, the company was still affected by the sluggish economy, and demand remained weak, resulting in a decrease in net sales. However, while maintaining the average balance of accounts receivable, the accounts receivable turnover ratio decreased to 4.78, and the days' sales in account receivable slightly increased. However, the overall collection situation remained relatively good.
5. The inventory turnover decreased by 35%, accounts payable turnover ratio decreased by 40%, and days' sales in inventory increased by 53%: Inventory has been continuously reduced since the second half of 2022, and the net inventory at the end of 2023 Q1 continued to decrease. However, due to the low cost of goods sold and revenue base, the inventory turnover days decreased, the days' sales in inventory increased, and the accounts payable turnover ratio also decreased.
6. The fixed asset turnover ratio decreased by 41%, the total assets turnover ratio decreased by 56%: The average fixed assets and average total assets did not change significantly. However, the turnover ratio decreased significantly due to the decrease in the revenue base.
7. The profitability ratios have all decreased significantly, mainly due to the adverse impact of the sluggish economy and weak demand. The overall profitability status is relatively poor in comparison.
8. Cash flow ratio and Cash flow reinvestment ratio decreased, and Cash flow adequacy ratio increased: The net cash inflow from operating activities was affected by the profitability status, resulting in a decrease in both the cash flow ratio and cash flow reinvestment ratio. However, the cash flow adequacy ratio increased significantly due to the decreased inventory.
9. Operating leverage increased by 75%: In the first quarter of 2023, the operating expense ratio was higher due to the smaller revenue base. The gross profit margin also slightly decreased due to product mix, resulting in a lower operating profit amount. Therefore, the operating leverage increased significantly.

(2) Parent company only financial analysis

Item	Year	Financial information for the last five years				
		2018	2019	2020	2021	2022
Financial structure	Debt ratio (%)	33.75	31	19.43	23.29	6.06
	Long term funds to fixed assets ratio (%)	8,057.61	24,093.82	54,654.71	6,072.17	13,899.32
Solvency ratios	Current ratio (%)	197.04	249.47	305.09	357.15	1,596.58
	Quick ratio (%)	72.73	121.28	218.64	233.01	1,350.83
	Times interest earned	139,038	(11,995)	50,787	139,254	182,823
Operating performance	Accounts receivable turnover (times)	5.72	6.12	5.10	8.02	6.75
	Days' sales in accounts receivable	64	60	72	46	55
	Inventory turnover	1.79	2.04	2.60	2.76	1.64
	Accounts payable turnover ratio (times)	3.99	4.55	7.99	8.68	7.64
	Days' sales in inventory	203	179	140	132	223
	fixed asset turnover ratio (times)	61.14	154.74	455.02	150.14	62.30
	Total assets turnover ratio (times)	0.74	0.93	1.01	1.28	0.56
Profitability	Return on total assets (%)	3.36	(11.02)	23.28	40.13	21.70
	Return on equity (%)	4.41	(16.46)	30.83	51.29	24.66
	Profit before tax to capital stock (%)	17.35	(57.69)	117.92	337.72	303.34
	Net profit margin (%)	4.57	(11.99)	22.96	31.35	39.06
	Earnings per share (NTD) (Remark)	0.78	(2.67)	5.50	13.67	12.09
Cash flow	Cash flow ratio (%)	-	-	10.89	130.04	241.74
	Cash flow adequacy ratio (%)	49.21	34.71	34.07	74.44	87.28
	Cash flow reinvestment ratio (%)	-	-	0.16	28.43	5.22
Leverage	Operating leverage	-	-	1.51	1.20	1.27
	Financial leverage	1.00	0.97	1.00	1.00	1.00

Remark: It is after retrospective application.

Reasons for changes in financial ratios of up to 20% in the last two years:

1. The Debt ratio decreased by 74%: The company completed the new shares issuance for GDR in January 2022, raising approximately US\$ 190 million dollars. As a result, total assets increased significantly. Additionally, due to weak demand in the memory market, wafer purchase amount decreased, resulting in a substantial reduction in accounts payable. Consequently, debt ratio decreased by 74%.
2. The Long-term capital ratio increased by 129%: The company completed the new shares issuance for GDR in January 2022, raising approximately US\$ 190 million dollars, resulting in a significant increase in total shareholder equity. As a result, the long-term capital ratio increased by 129%.
3. The current ratio increased by 347% and quick ratio increased by 480%: The company completed the new shares issuance for GDR in January 2022, raising approximately US\$ 190 million dollars, resulting in a significant increase in total assets. As a result, both the current ratio and quick ratio increased significantly.
4. The times interest earned increased by 31%: In 2022, due to the injection of non-operating foreign exchange gains, the total profit amount remained the same level as in 2021. However, due to the decrease in interest expenses, the times interest earned increased by 31%.
5. Inventory turnover decreased by 40% and Days' sales in inventory increased by 68%: In the first half of 2022, inventory increased for stocking purposes. And then in response to weakening demand in the second half of 2022, the company strengthened inventory control and continued to clear out existing inventory. However, inventory remained at a high level, with average inventory of 2022 increasing by approximately 34% compared to 2021. As a result, the inventory turnover ratio decreased to 1.64, and the days' sales in inventory increased to 223 days.
6. The fixed asset turnover ratio decreased by 59%: In 2022, due to the semiconductor industry's reversal of fortunes and weak demand, the company's net sales decreased. With little change in fixed asset, the turnover ratio decreased significantly.
7. The total assets turnover ratio decreased by 57%: The issuance of GDR raised approximately US\$ 190 million dollars, resulting in a significant increase in total assets. As a result, the total asset turnover ratio decreased.
8. The return on total assets decreased by 46%, return on equity decreased by 52%, and net profit margin increased by 25%: In 2022, due to the injection of foreign exchange gain, the total profit amount remained the same level as in 2021. However, the issuance of GDR resulted in a significant increase in total assets and equity, leading to a significant decrease in return on total assets and equity. Additionally, due to the weak demand causing a decrease of approximately 23% in net revenue, the net profit margin increased by 25%.
9. Cash flow ratio increased by 86% and Cash flow reinvestment ratio decreased by 82%: Due to the weak demand and reduced wafer purchasing, the accounts payable of the company decreased significantly, leading to a reduction in current liabilities and an increase in the cash flow ratio. In addition, the issuance of GDR increased the company's operating capital substantially, resulting in a decrease of 82% in the cash flow reinvestment ratio.

The above financial ratios are calculated as follows:

1. Financial structure

(1) Debt ratio = Total liabilities / total assets.

(2) Long term funds to fixed assets ratio = (Total equity + long-term borrowings) / net fixed assets.

2. Solvency ratios

(1) Current ratio = Current assets / current liabilities

(2) Quick ratio = (Current assets – inventories – prepaid expenses) / current liabilities.

(3) Times interest earned = Net income before tax and interest expense / current interest expense.

3. Operating performance

(1) Accounts receivable turnover (Including accounts receivable and notes receivable arising from operations) = Net sales / average balance of accounts receivable (Including accounts receivable and notes receivable arising from operations).

(2) Days' sales in accounts receivable = 365 / accounts receivable turnover

(3) Inventory turnover = Cost of goods sold / average inventory

(4) Accounts payable turnover ratio (Including accounts payable and notes payable arising from operations) = Cost of goods sold / average balance of accounts payable (Including accounts payable and notes payable arising from operations)

(5) Days' sales in inventory = 365 / average inventory turnover

(6) Fixed asset turnover ratio = Net sales / net property plant and equipment

(7) Total assets turnover ratio = Net sales / total assets

4. Profitability

(1) Return on total assets = [Profit and loss after tax + interest expenses × (1 – tax rate)] / average total assets

(2) Return on equity = Profit and loss after tax / average net equity

(3) Net profit margin = Profit and loss after tax / net sales

(4) Earnings per share = (Net income after tax – preferred share dividends) / weighted average number of issued shares

5. Cash flow

(1) Cash flow ratio = Net cash flow from operating activities / current liabilities

(2) Cash flow adequacy ratio = Net cash flow from operating activities in the last five years / (capital expenditures + increase in inventories + cash dividends in the last five years)

(3) Cash flow reinvestment ratio = (Net cash flow from operating activities – cash dividends) / (gross property, plant, and equipment + long-term investment + other non-current assets + working capital)

6. Leverage

(1) Operating leverage = (Net operating revenue – variable operating costs and expenses) / operating income

(2) Financial leverage = Operating income / (operating income – interest expenses)

3.Audit Committee's Audit Report of the most recent financial report

Audit Committee's Audit Report

To: 2023 Shareholders' Meeting of AP Memory Technology Corporation

The Board of Directors produced and submitted the Company's 2020 Business Report, financial statements and earnings distribution proposal. The financial statements were audited by Deloitte & Touche, Taiwan, and an audit report was issued. The aforementioned Business Report, financial statements and earnings distribution proposal have been reviewed by the Audit Committee and there is no discrepancy found. It is reported as above for your review, in accordance with the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Convener of Audit Committee: Yeh, Jui-Pin

April 7, 2023

4. Consolidated financial report for the most recent period, audited and attested by a certified public accountant.

Please refer to pages 91 to 153.

5. Standalone financial report for the most recent period, audited and attested by a certified public accountant.

Please refer to pages 154 to 226.

6. If the Company and its affiliated companies have any financial difficulties in the most recent year and as of the printing date of the annual report, the impacts on the Company's financial situation should be listed:

The Company and its affiliated companies did not experience any financial difficulties in 2021 and as of the printing date of the annual report.

VII Review and analysis of financial conditions and financial performance and risk issues

1. Financial status

Unit: In thousands of NTD ; %

Item	Year	2021	2022	Difference	
				Amount	%
Current assets		5,124,533	10,446,618	5,322,085	104
Property, plant and equipment		81,399	80,634	(765)	(1)
Intangible assets		16,978	21,711	4,733	28
Other assets		1,055,733	1,142,348	86,615	8
Total assets		6,278,643	11,691,311	5,412,668	86
Current liabilities		1,399,840	672,490	(727,350)	(52)
Non-current liabilities		83,848	68,254	(15,594)	(19)
Total liabilities		1,483,688	740,744	(742,944)	(50)
Share capital		746,997	808,634	61,637	8
Capital reserve		1,054,788	6,178,947	5,124,159	486
Retained earnings		2,995,688	3,963,436	967,748	32
Other equity		8,728	(450)	(9,178)	(105)
Treasury shares		(11,246)	-	11,246	(100)
Total shareholders' equity		4,794,955	10,950,567	6,155,612	128

Description of major changes (for those with a change of more than 20% between the consecutive periods' values, and the absolute change reaching the amount of NT\$10 million):

- (1) Increase in current assets and total assets: The company completed the new shares issuance for GDR in January 2022, raising approximately US\$ 190 million dollars. As a result, current assets and total assets increased significantly.
- (2) Decrease in current liabilities and total liabilities: Due to weak demand in the memory market, wafer purchase amount decreased, resulting in a substantial reduction in accounts payable. As a result, current liabilities and total liabilities decreased significantly.
- (3) Increase in capital reserve and total shareholders' equity: The company completed the new shares issuance for GDR in January 2022, raising approximately US\$ 190 million dollars. As a result, capital reserve and total shareholders' equity increased significantly.
- (4) Increase in retained earnings: Mainly due to the annual profits.
- (5) Treasury shares: The company was approved by BOD to cancel 516 thousand treasury shares in February 2022, and the relevant registration has been completed.

2. Financial performance

- (1) The main reasons for the significant changes in operating revenue, operating net profit and income before tax in the past two years.

Unit: In thousands of NTD ; %

Item	Year	2021	2022	Increase (decrease)	Change ratio (%)
Net operating revenue		6,617,215	5,094,775	(1,522,440)	(23)
Operating costs		3,591,607	2,873,381	(718,226)	(20)
Gross profit		3,025,608	2,221,394	(804,214)	(27)
Operating expenses		655,451	720,874	65,423	10
Net operating profit		2,370,157	1,500,520	(869,637)	(37)
Non-operating revenue and expenses		144,109	948,763	804,654	558
Income from continuing operation before income tax		2,514,266	2,449,283	(64,983)	(3)
Income tax expenses		488,809	507,587	18,778	4
Net income from continuing operation		2,025,457	1,941,696	(83,761)	(4)
Income from discontinued operation		-	-	-	-
Net income from the current period		2,025,457	1,941,696	(83,761)	(4)
Other comprehensive income		(1,314)	4,265	5,579	(425)
Total comprehensive income		2,024,143	1,945,961	(78,182)	(4)
Description of major changes (for those with a change of more than 20% between the consecutive periods' values, and the absolute change reaching the amount of NT\$10 million):					
(1) Net operating revenue, gross profit, net operating profit, income from continuing operation before income tax, net income from continuing operation, net income from the current period, and total comprehensive income: In 2022, due to the sudden downturn of the semiconductor industry, the customers' demand decreased significantly as a result of a buildup in inventory, which had an adverse impact on our company's profitability.					
(2) Decreased operating costs and increased operating expenses: Operating costs decreased as revenue decreased. However, operating expenses increased due to investments in RD personnel and new projects.					
(3) Increased Non-operating revenue and expenses: Because of the injection of foreign exchange gains.					

- (2) The expected sales volume and its basis, the possible impact on the Company's future financial business, and the response plan:

A. Expected sales volume and its basis

The Company's annual targets are set based on customers' estimated demand, taking into account the overall market environment, capacity planning and past historical experience. The Company continues to research and develop new products to meet market demand for new products in order to expand its product lines and increase revenue streams. The Company will continue to adjust its operating strategy to match its sales forecast and product development plan, and further control the reasonable inventory level.

B. Possible impact on the Company's future financial business, and the response plan

Based on the estimated sales information provided by the sales and marketing unit, together with the order scheduling of the production operation and yield information

of quality control, costs and expenses are estimated to further utilize the production capacity and financial capital effectively to meet the needs of business growth.

3. Cash flows

(1) Analysis of changes in cash flows in the most recent year

Unit: In thousands of NTD

Item	Year	2021	2022	Increase (decrease)
Operating activities		2,410,925	1,574,634	(836,291)
Investing activities		(44,509)	(67,287)	(22,778)
Financing activities		(511,128)	4,154,688	4,665,816
Impact of exchange rate changes		(808)	2,950	3,758
Net cash inflow		1,854,480	5,664,985	3,810,505

Analysis of changes in cash flows:

- (1) The decrease in the inflow from operating activities was mainly due to a higher amount of income tax paid compared to 2021 and inventory stocking.
- (2) The increase in net cash outflow from investing activities was mainly due to the purchase of machinery and equipment, the acquisition of intangible assets, and the acquisition of long-term equity investments accounted for using the equity method.
- (3) The increase in net cash inflow from financing activities was mainly due to a cash capital increase.

(2) Improvement plan for insufficient liquidity: The Company has no cash shortfall and is not yet in danger of insufficient liquidity.

(3) Analysis of cash liquidity in the coming year: None.

4. Impacts of major capital expenditures on financial operations in the most recent year

The demand in the global semiconductor industry in 2021 far exceeds the existing supply, the shortage of supply will not only impact the company's foundry production capacity, but also the wafer testing capacity. Under the consideration of the Company's overall capacity and demand, the company purchased some testing machines to meet the strong demand pull from end customers in 2021 and 2022. And the company raised fund from issuing new shares for GDR in Jan./2022, total amounts was US\$ 190 million dollars. The company will use part of these fund to purchase hi-tech testing equipment in next three years.

5. The investment policy, the main reasons for profit or loss, and improvement plans in the most recent year and investment plans for the coming year.

(1) Investment policy

The Company's reinvestment policy is in response to the Company's operational strategic planning and focuses on maximizing the use of local resources, taking into account the development of its primary business rather than short-term financial investments.

(2) Main reasons for profit or loss on investment and improvement plans for the most recent year

Unit: In thousands of NTD

Invested company	Recognized profit (loss) for 2022	Main reasons	Improvement plan
AP Memory Corp, USA	(5,453)	This subsidiary mainly focuses on the research and development of new products and new projects. The Company pays technical service fees to the subsidiary to cover its related expenses.	Continue to evaluate the subsidiary's needs of daily working capital and expenses.
AP Memory Technology (Hangzhou) Co. Limited	16,832	Provide local pre-sales and post-sales services to existing and potential customers in China, and develop products suitable	Will strengthen the management concept of the local team and establish the system.

Invested company	Recognized profit (loss) for 2022	Main reasons	Improvement plan
		for the local market. It has been the main distribution base in China since last year.	
AP Memory Technology (Hong Kong) Co. Limited	10,346	In order to meet the future operation deployment plan, AP Memory Technology (Hangzhou) Co. Limited established a subsidiary, AP Memory Technology (Hong Kong) Co. Limited, in Hong Kong in October, 2019.	Continue to explore the Chinese market for development opportunities, gradually increasing local market penetration.
Zentel Electronics Corporation	1,948	In the second half of 2020, the said company's standard product business has been gradually reduced to almost no new business. The main profit is derived from the gain on the disposal of the subsidiary, Zentel Japan Corp.	Scale down operations to avoid over-dispersion of resources.
APware Technology Corp.	-	In order to meet the future operation deployment plan, the corporation established a subsidiary, APware Technology Corp., in Cayman in October, 2021.	The company has not started the operation.
VIVR Corporation	(49)	In response to future product research and development and operational planning, the company invested in and established a subsidiary in the United States in December of 2022.	The company will continue to expand markets for other types of products and actively invest in the research and development of new products.
CascadeTeq Inc.	1	In response to future operational planning, the company invested in and established a subsidiary in December of 2022.	The company will continue to evaluate using the subsidiary as a sales channel for the group's package products.

(3) Investment plan for the coming year

In response to the change of the Company's operating strategy, the Company has focused on two major product lines, IoT and AI. Therefore, re-adjust the structure and operation plan of the invested company of the Group's invested companies, and further evaluate and plan for subsequent adjustments in order to avoid over-dispersion of resources and to maximize the investment benefits.

6. Risk matter assessment in the most recent year and as of the printing date of the annual report

(1) Impacts of changes in interest rate and exchange rate and inflation on the Company's profit and loss, and the future response measures.

A. Changes in interest rate

(i) Impacts on the Company's profit and loss

The Company's daily operating turnover is mainly using its own funds. The interest expenses amounted to NT\$1,951 thousand and NT\$1,570 thousand in 2021 and 2022, which accounted for 0.03% of net operating revenues, respectively, which had minimal impacts on the Company's profit and loss. The interest revenue is generated from idle funds, based on the interest rate of bank deposits. In 2021 and 2022, the interest revenue amounted to NT\$4,957 thousand and NT\$106,839 thousand, representing 0.08% and 2.10% of net operating revenue, respectively,

which had minimal impacts on the Company's profit or loss.

(ii) Specific response measures

The Company regularly evaluates banks' interest rates on deposits and borrowings and observes the impact of changes in financial market interest rates on the Company's funds in order to take flexible measures to constantly adjust the idle fund position. Thus, interest rate changes will not have a material impact on the Company's profit and loss.

B. Changes in exchange rate

(i) Impacts on the Company's profit and loss

The Company's sales to main sales customers are priced in U.S. dollars and its purchases of goods are also priced in U.S. dollars. Through natural hedging and the choice to hold strong currencies, the Company adjusts its foreign exchange gains and losses. The Company's exchange loss was NT\$15,383 thousand and NT\$700,982 thousand in 2021 and 2022, respectively, which accounted for 0.23% and 13.76% of the Company's net operating revenues.

(ii) Specific response measures

The Company has obtained the facility for derivative financial products. If there is a need for hedging, it will use the operation of financial instruments in a timely manner to avoid the risk of exchange rate changes. In view of the continued weakening of the U.S. dollar, the finance unit has reviewed its hedging policy and assessed that hedging of foreign currency positions will be carried out by dedicated personnel to continuously observe exchange rate movements and fully grasp the information on international exchange rate trends and changes, so as to constantly respond to the impact of exchange rate fluctuations and flexibly adjust foreign currency positions in the spot market.

C. Inflation

(i) Impacts on the Company's profit and loss

There was no significant inflation in the most recent year or as of the printing date of the annual report, and the Company's past consolidated income or loss has not been materially affected by inflation.

(ii) Specific response measures

The Company and its subsidiaries pay close attention to the fluctuation of upstream raw materials' market prices and maintain good interaction with suppliers. In the future, the Company will continue to closely observe the changes in price indices, study the impact of inflation on the Company, and adjust product selling prices and raw material inventories in a timely manner in order to cope with the pressure of inflation.

(2) Policies, main causes of gain or loss and future response measures with respect to engaging in high-risk, high-leveraged investments, lending to others, endorsement guarantees, and derivatives trading.

The Company has always operated its business based on the principle of focusing on its primary business and being pragmatic. The Company's financial policy is set based on the principle of being prudent and conservative, and it does not engage in high-risk and high-leverage investment business. The Company has established the "Operational Procedures for Loaning Funds to Others," "Operational Procedures for Making of

Endorsements/Guarantees” and “Procedures for Regulations Governing the Acquisition and Disposal of Assets” as the basis for the Company’s compliance with these procedures. As of the printing date of the annual report, the Company has not entered into any high-risk, highly leveraged investments, loans to others, endorsements and guarantees for others, or derivative transactions, except for inter-group capital movement and accounts receivable from Zentel Japan Corp. that are assessed as loans of funds in nature in accordance with the criteria of the relevant Q&As.

(3) Future R&D projects and expected R&D expenses

A. Future R&D plan

The Company is constantly improving its existing products to reduce costs and improve compatibility and stability. The Company also continues to invest in market analysis and R&D manpower to develop customized DRAM products optimized to support customers’ special application specifications in order to increase its advantages and raise its competitiveness. The application product range of the existing and new generation products and the extension of the existing technologies are as follows:

- (i) Virtual Static Random Access Memory (VSAR) related IC products that can be extended to be applied to wearable devices.
- (ii) Virtual Static Random Access Memory (VSAR) related IC products that can be extended to be applied to the Internet of Things.
- (iii) Develop mobile memory-related integrated circuit products that can be applied to mobile devices.
- (iv) Ultra-high bandwidth customized memory applicable for artificial intelligence (AI) and Blockchain.

B. Estimated R & D expenses

The Company’s estimated invested expenses in research and development are gradually compiled according to the development progress of new products and new technologies, and continued according to market changes and the progress of new product research and development. In the future, with the growth of sales revenue, it is expected that the research and development expenses will be gradually increased, expanding the Company's operating scale and increasing competitiveness.

(4) Impacts of important domestic and foreign policies and legal changes on the Company’s finance and sales, and the response measures.

The Company’s daily operations are conducted in compliance with relevant domestic and foreign laws and regulations, and it keeps an eye on domestic and foreign policy trends and changes in regulations to collect relevant information for the management’s reference in making decisions and adjusting the Company’s relevant operating strategies. As of the printing date of the annual report, there were no material impacts on the Company’s financial operations arising from major domestic or foreign policy and legal changes.

(5) Impacts of changes in technology and in industry on the Company’s finance and sales, and the response measures.

The Company continues to invest a lot of resources in research and development of new technologies, and keeps an eye on industry-related technological changes and developments in order to launch products that meet market trends, as well as to observe future technological trends and adjust the Company's business strategies as appropriate. As of the printing date of the annual report, there were no material impacts on the Company's financial operations arising from technological changes or industry changes.

- (6) Impacts of changes in corporate image on the corporate risk management, and the response measure.

Since its establishment, the Company has focused on its primary business operation, complied with relevant laws and regulations, actively strengthened internal management and improved management quality and performance, while maintaining harmonious labor-management relationship, in order to continuously maintain an excellent corporate image and increase customers' trust in the Company. Therefore, there was no operational crisis caused by the change of corporate image in the most recent year and as of the printing date of the annual report. However, the occurrence of a corporate crisis may cause considerable damage to an enterprise. Therefore, the Company will continue to implement various corporate governance requirements and conduct risk prevention management in its daily operations in order to reduce the occurrence of corporate risks and their impacts on the Company.

- (7) Expected benefits and possible risk of engaging in merger and acquisition, and the response measure: Not applicable.
- (8) Expected benefits and possible risk of factory expansion, and the response measure: The Company is an IC design company and does not have the need to expand its factory yet, so it is not applicable.
- (9) Risks of purchase or sales concentration and response measures

A. Purchase

Since most domestic professional IC design companies operate without their own foundries, after they complete the IC design, the ICs are manufactured by foundries. In the production process, IC design companies need to fully cooperate with wafer foundries in terms of production capacity, manufacturing process, quality and delivery. Therefore, most of them have the characteristics of concentrating business on a single or a few foundries, heavily relying on wafer foundries, and there is a potential risk of purchase concentration.

Response measures:

The Company selects the world's leading foundries as its main source of wafers and establishes long-term relationships with them so that the production capacity quotas can meet the Company's needs and the stability of wafer supply and delivery can be improved to reduce the Company's purchase concentration risk.

B. Sales

The Company's main products are memory-related ICs, which are currently shipped as Known Good Die (KGD) to major cell phone chip makers for packaging with their own chips. As the market of cell phone chip is concentrated in the hands of a few manufacturers, the Company's products are sold to the top few manufacturers in the cell phone chip industry in order to enter the market quickly and increase the products' market shares.

Response measures:

The Company continues to interact closely with its existing customers to understand their needs, continues to invest in research and development, launches new products ahead of the rest of the industry, and strives to expand its customer base and reduces the concentration of sales customers.

- (10) Effects and risk of large-scale share transfer or changes in directors, supervisors, or major shareholders with shareholding more than 10% in the Company, and the response measure:

The Company's directors and major shareholders holding more than 10% of the Company's shares have not transferred the Company's shares in the most recent year and as of the printing date of the annual report, which should not have any material impact or risk on the Company.

- (11) Effects and risks of changes in controlling rights on the Company, and the response measure: None.

- (12) For litigation or non-litigation matters, it shall state the major litigation, non-litigation or administrative litigation that has been determined or is still in litigation of the Company and the Company's Directors, Supervisors, General Manager, substantial responsible person, major shareholders holding more than 10% of the shares, and subordinate companies. If the result may have material impacts on the shareholders' equity or the price of the securities, the facts of the dispute, the amount of the subject matter, the commencement date of the litigation, the parties involved in the proceedings, and the handling as of the printing date of the annual report shall be disclosed:

Litigant	Litigation, non-litigation or administrative litigation	Counterparty of litigation	Litigation's commencement date	Reasons of litigation and litigation process
Zentel Electronics Corporation	The counterparty in the litigation claims that the Company's sales of NAND flash products infringe on its patent rights	Kioxia Corporation	June, 2014	As described below

Kioxia Corporation, formerly Toshiba Memory Corporation, filed a lawsuit in June 2014 against Zentel Electronics Corporation and other three companies and some of their responsible persons, which are engaging in the designing, manufacturing and sales of the aforementioned products, for infringement of its Taiwan Patent No. 154717 and I238412 by certain flash memory products sold by Zentel Electronics.

In July 2017, the first instance court ruled that Zentel Electronics is liable, jointly and severally with the other defendants for the payment of NT\$99,822 thousand approximately plus interest to the plaintiff, and bearing one-half of the plaintiff's litigation costs. On July 27, 2017, Zentel Electronics obtained a letter of undertaking from the product's manufacturer, assuring to pay the aforementioned compensation amount and the related statutory penalty interest amounting to NT\$115,185 thousand and waive its right to claim against Zentel Electronics. In addition, the said manufacturer provided a negotiable certificate of deposit in the amount same as the amount awarded by the court's judgment

as a guarantee to the court, preventing the plaintiff from filing a petition for provisional execution before the judgment is finalized.

After Zentel Electronics and other defendants filed an appeal against the aforementioned verdict to the second instance court on July 31, 2017, the intellectual property court had rejected all of the plaintiff's claims against the defendants on the grounds that plaintiff's patents are unenforceable or lacking non-obviousness in October 2019. That is, Zentel Electronics and other defendants are not required to pay damages and may continue to produce and sell related products. The plaintiff appealed to the third instance court in November 2019.

The plaintiff subsequently appealed to the third trial in November of 2019. The Supreme Court ruled on April 13, 2022, to reject the appeal, finalizing the case. This means that defendants, including Zentel Electronics, did not infringe on the plaintiff's patent rights and are not required to pay any damages. They are also allowed to continue the production and sale of related products.

(13) Other important risks and response measures:

Information security risk assessment:

The Company's Information Management Department is responsible for information security risk management. We have established the "Regulations Governing Information Security" to strengthen the control of employees' use of information hardware and software, and have built firewalls and installed anti-virus software to control and maintain the normal operation of the Company's computers, email and ERP systems.

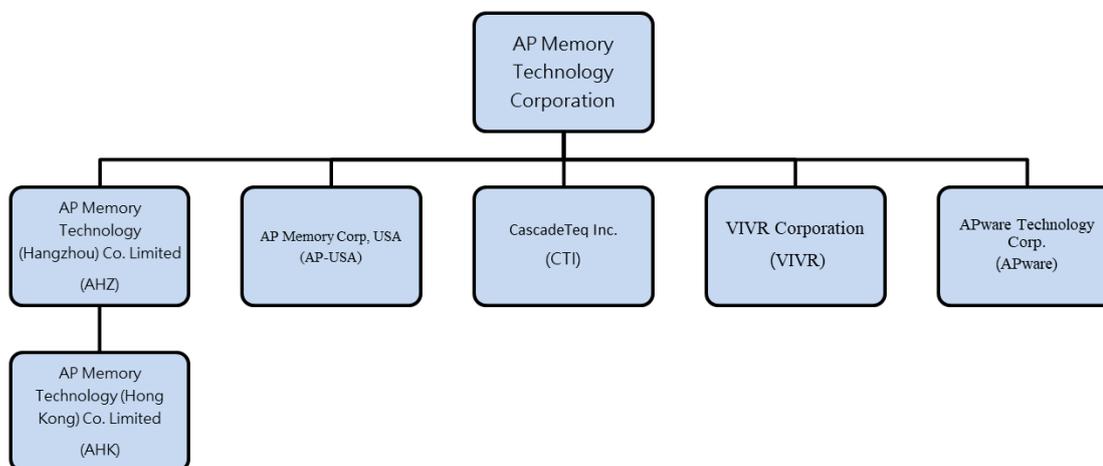
7. Other important matters: None.

VIII Special notes

1. Information about affiliated enterprises

(1) Consolidated business report of affiliated enterprises

A. Organization chart of affiliated enterprises



B. Information on affiliated enterprises

December 31, 2022; Unit: In thousands of NTD, USD

Company's name	Establishment date	Address	Paid-up capital	Main business or production items
AP-USA	2012.02	Suite 251, BG Plaza, 3800 S.W. Cedar Hills Blvd, Beaverton OR.97005, USA	US\$ 2,000	Research and development services for integrated circuits
AHZ	2018.06	Room 2007 and 2008, 20th Floor, Building 1, No.1782, Jiangling Road, Xixing Street, Binjiang District, Hangzhou City, Zhejiang Province	US\$ 2,000	Design, development and sales of integrated circuits
AHK	2019.10	Rm.19C, Lockhart Ctr., 301-307 Lockhart Rd., Wan Chai, Hong Kong.	US\$ 10	Sales of integrated circuits
APware	2021.10	Suite 102, Cannon Place, North Sound Rd., George Town, Grand Cayman, Cayman Islands	-	Design, development and sales of integrated circuits
VIVR	2022.12	Suite W 100 North Howard Street, Spokane Washington, 99201, US	US\$ 1,000	Design, development and sales of integrated circuits
CTI	2022.12	8F.-5, No. 1, Taiyuan 1st St., Zhubei City, Hsinchu County, Taiwan (R.O.C.)	NT\$ 5,000	Design, development and sales of integrated circuits

C. Information on the same shareholders of those which are presumed to be in a controlling and subordinate relationship: None.

D. Names and shareholding of Directors, Supervisors, and Presidents of affiliates.

December 31, 2022; Unit: In thousands of NTD; share; %

Company	Job title	Name or representative	Shareholding	
			Shares/ Capital contribution	Shareholding percentage /Capital contribution percentage
AP-USA	Director	Ma, Lin (Note)	—	—
AHZ	Director	Hung, Chih-Hsun (Note)	—	—
	Supervisor	Chen, Wen-Liang (Note)	—	—
	President	Zhong, Lei	—	—
AHK	Director	Hung, Chih-Hsun (Note)	—	—
APware	Director	Hung, Chih-Hsun (Note)	—	—
VIVR	Chair of Board of Director	Chen, Wen-Liang	—	—
CTI	Chair of Board of Directo	Hung, Chih-Hsun (Note)	—	—

Note: As the legal representative of AP Memory Technology Corporation.

E. The scope of business operations covered by the Company's affiliated companies: The business operations of the Company and the Company's affiliated companies include research, development services, design, sales, technical consulting and services of integrated circuits.

F. The relevance of the business operations between the affiliated companies: Through the Company, business cooperation is carried out in the distribution of sales channels between the affiliated companies.

G. Operational overview of affiliated enterprises

December 31, 2022 / Fiscal year of 2022

Unit: in thousands of the currency; Currency: NTD unless otherwise stated

Company	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating income (loss)	Current profit and loss (after tax)	Earnings per share (NTD) (after tax)
AP-USA	US\$ 2,000	55,006	20,620	34,386	59,610	(5,519)	(5,453)	-
AHZ	US\$ 2,000	306,037	150,145	155,892	282,566	(1,585)	16,832	-
Zentel	-	-	-	-	-	(43)	1,948	-
AHK	US\$ 10	115,687	99,061	16,626	1,271,609	10,346	10,346	-
APware	-	-	-	-	-	-	-	-
VIVR	US\$ 1,000	30,710	51	30,659	2-	(49)	(49)	-
CTI	5,000	5,001	-	5,001	-	-	1	-

(2) Consolidated financial statements of affiliated enterprises: Please refer to page 91.

(3) Report of the affiliated enterprise: Not applicable.

2. Private placement of securities in the most recent year and as of the printing date of the annual report: None.

3. The shares in the Company held or disposed of by subsidiaries in the most recent year and as of the printing date of the annual report: None.

4. Other require supplementary information: None.

IX Matters that have material impacts on shareholders' equity or securities price as defined in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the most recent year and as of the printing date of the annual report: None.

Declaration of Consolidation of Financial Statements of Affiliates

We hereby declare that the companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of a parent and its subsidiaries under International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of a parent and its subsidiaries. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Company: AP Memory Technology Corporation

Person in charge: Chen Wen-liang

Date: February 24, 2023

INDEPENDENT AUDITORS’S REPORT

The Board of Directors and Stockholders

AP Memory Technology Corporation

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of the most significance in our audit of the Group’s consolidated financial statements for the year ended 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Group’s consolidated financial statements for the year ended 2022 are described as follows:

Sales Revenue from Specific Customers

The sales revenue of AP Memory Technology Corporation and its Subsidiaries was \$5,094,775 thousand in 2022. The revenue from sales to some customers, which increased significantly comparing with

the previous year, counts for a large portion of the total sales revenue and is therefore determined as one of the key audit matters.

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

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

Other Matters

We have also audited the parent company only financial statements of AP Memory Technology Corporation as of and for the year ended 2022 and 2021 on which we have issued an unqualified opinion.

Responsibilities of Management and Those Charged with Governance for 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 IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Group's consolidated financial statements for the year ended 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2023

Notice to Readers

The accompanying 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China. For the convenience of readers, the independent auditors' report and the accompanying 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' report and consolidated financial statements shall prevail.

AP Memory Technology Corporation and its Subsidiaries

Consolidated Balance Sheets

As of December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

Assets	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
Current assets				
Cash and cash equivalents (Notes 4 and 6)	\$ 8,182,432	70	\$ 2,517,447	40
Financial assets at amortized cost - Current (Notes 4, 8 and 28)	2,782	-	2,763	-
Accounts receivable (Notes 4, 9, 20 and 27)	638,597	5	854,080	14
Other receivables (Notes 4 and 9)	31,879	-	38,106	1
Current tax assets (Note 4)	80	-	-	-
Inventories (Notes 4 and 10)	1,528,392	13	1,696,621	27
Other current assets (Note 16)	62,456	1	15,516	-
Total current assets	10,446,618	89	5,124,533	82
Non-current assets				
Financial assets at fair value through profit or loss - Non-current (Notes 4, 5, 7 and 26)	256,007	2	141,989	2
Financial assets at amortized cost - Non-current (Notes 4 and 8)	6,522	-	5,789	-
Investments accounted for using equity method (Notes 4 and 12)	114,991	1	87,123	1
Property, plant and equipment (Notes 4 and 13)	80,634	1	81,399	1
Right-of-use assets (Notes 4 and 14)	80,018	1	98,908	2
Other intangible assets (Notes 4 and 15)	21,711	-	16,978	-
Deferred tax assets (Notes 4 and 22)	31,163	-	25,486	1
Refundable deposits (Note 29)	464,452	4	464,971	7
Other non-current assets (Note 16)	189,195	2	231,467	4
Total non-current assets	1,244,693	11	1,154,110	18
Total assets	\$ 11,691,311	100	\$ 6,278,643	100
Liabilities and equity				
Current liabilities				
Contract liabilities (Notes 4 and 20)	\$ 23,043	-	173,602	3
Accounts payable	149,961	1	600,046	9
Other payables (Note 17)	146,564	1	192,369	3
Current tax liabilities (Note 4)	295,101	3	388,279	6
Lease liabilities - Current (Notes 4 and 14)	54,559	1	41,286	1
Other current liabilities (Note 17)	3,262	-	4,258	-
Total current liabilities	672,490	6	1,399,840	22
Non-current liabilities				
Deferred tax liabilities (Notes 4 and 22)	45,132	-	19,278	1
Lease liabilities - Non-current (Notes 4 and 14)	9,122	-	50,570	1
Guarantee deposits received	14,000	-	14,000	-
Total non-current liabilities	68,254	-	83,848	2
Total liabilities	740,744	6	1,483,688	24
Equity (Notes 4, 19, 24)				
Share capital				
Ordinary share	807,786	7	744,136	12
Advance receipts for ordinary share	848	-	2,861	-
Total shares	808,634	7	746,997	12
Capital surplus	6,178,947	53	1,054,788	17
Retained earnings				
Legal reserve	566,708	5	364,163	5
Unappropriated earnings	3,396,727	29	2,631,525	42
Total retained earnings	3,963,436	34	2,995,688	47
Other equity	(450)	-	8,728	-
Treasury shares	-	-	(11,246)	-
Total equity	10,950,567	94	4,794,955	76
Total liabilities and equity	\$ 11,691,311	100	\$ 6,278,643	100

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

AP Memory Technology Corporation and its Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

	2022		2021	
	Amount	%	Amount	%
Operating revenue (Notes 20 and 27)	\$ 5,094,775	100	\$ 6,617,215	100
Operating costs (Notes 10 and 21)	<u>2,873,381</u>	<u>56</u>	<u>3,591,607</u>	<u>54</u>
Gross profit from operations	<u>2,221,394</u>	<u>44</u>	<u>3,025,608</u>	<u>46</u>
Operating expense (Notes 4, 9 and 21)				
Selling expense	126,823	3	115,405	2
Administrative expense	132,623	3	181,544	3
Research and development expense	462,066	9	359,104	5
Expected credit/ impairment (gain on reversal of impairment loss) loss	(<u>638</u>)	-	(<u>602</u>)	-
Total operating expense	<u>720,874</u>	<u>15</u>	<u>655,451</u>	<u>10</u>
Net operating income	<u>1,500,520</u>	<u>29</u>	<u>2,370,157</u>	<u>36</u>
Non-operating income and expense				
Other income	9,008	-	23,797	-
Share of other comprehensive income of associates, accounted for using equity method (Notes 12)	5,964	-	12,618	-
Interest income	106,839	2	4,957	-
Gains on disposals of property, plant and equipment	54	-	-	-
Gains on disposals of investments	13,433	1	-	-
Profit from lease modification	25	-	-	-
Gains on financial assets (liabilities) at fair value through profit or loss (Note 26)	114,018	2	120,071	2
Interest expense	(1,570)	-	(1,951)	-
Foreign exchange gains (losses) – Net (Notes 21 and 31)	<u>700,982</u>	<u>14</u>	(<u>15,383</u>)	<u>-</u>
Total non-operating income and expense	<u>948,763</u>	<u>19</u>	<u>144,109</u>	<u>2</u>

(Next page)

(Previous page)

	2022		2021	
	Amount	%	Amount	%
Profit before tax	\$ 2,449,283	48	\$ 2,514,266	38
Total tax expense (Notes 4 and 22)	(507,587)	(10)	(488,809)	(7)
Net profit (loss) for the year	<u>1,941,696</u>	<u>38</u>	<u>2,025,457</u>	<u>31</u>
Other comprehensive income (Notes 4 and 19)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	<u>4,265</u>	<u>-</u>	(<u>1,314</u>)	<u>-</u>
Other comprehensive income for the year (net after income tax)	<u>4,265</u>	<u>-</u>	(<u>1,314</u>)	<u>-</u>
Total comprehensive income for the year	<u>\$ 1,945,961</u>	<u>38</u>	<u>\$ 2,024,143</u>	<u>31</u>
Earnings per share (Note 23)				
Basic	<u>\$ 12.09</u>		<u>\$ 13.67</u>	
Diluted	<u>\$ 11.96</u>		<u>\$ 13.45</u>	

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

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

(In Thousands of New Taiwan Dollars)

	Share capital (Notes 4, 19 and 24)			Capital surplus (Notes 4, 19 and 24)	Retained earnings (Notes 4 and 19)				Other equity interest (Notes 4, 19)		Total equity
	Ordinary share	Advance receipts for ordinary share	Total		Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translating the financial statements of foreign operations	Treasury shares (Notes 4 and 19)	
Balance at January 1, 2021	\$ 742,316	\$ 532	\$ 742,848	\$ 1,020,722	\$ 282,992	\$ 4,576	\$ 1,053,036,	\$ 1,340,604	(\$ 10,042)	(\$ 11,246)	\$ 3,102,970
Appropriation of the 2020 earnings											
Legal reserve	-	-	-	-	81,171	-	(81,171)	-	-	-	-
Special reserve	-	-	-	-	-	4,576	4,576	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	-	(370,373)	(370,373)	-	-	(370,373)
Compensation cost for employee share options	-	-	-	25,465	-	-	-	-	-	-	25,465
Net profit for the year 2021	-	-	-	-	-	-	2,025,457	2,025,457	-	-	2,025,457
Other comprehensive income after tax for the year 2021	-	-	-	-	-	-	-	-	(1,314)	-	(1,314)
Total comprehensive income for the year 2021	-	-	-	-	-	-	2,025,457	2,025,457	(1,314)	-	2,024,143
Issuance of restricted stock awards (RSAs) by the Corporation	1,820	2,329	4,149	8,601	-	-	-	-	-	-	12,750
Balance at December 31, 2021	744,136	2,861	746,997	1,054,788	364,163	-	2,631,525	2,995,688	8,728	(11,246)	4,794,955
Distribution and appropriation of the 2021 earnings											
Legal reserve	-	-	-	-	202,546	-	(202,546)	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	-	(968,275)	(968,275)	-	-	(968,275)
Compensation cost for employee share options	-	-	-	26,099	-	-	-	-	-	-	26,099
Disposal of investments accounted for using equity method	-	-	-	-	-	-	-	-	(13,443)	-	(13,443)
Proceeds from issuing shares	64,000	-	64,000	5,087,283	-	-	-	-	-	-	5,151,283
Treasury stock retired	(2,580)	-	(2,580)	(2,993)	-	-	(5,673)	(5,673)	-	11,246	-
Net profit for the year 2022	-	-	-	-	-	-	1,941,696	1,941,696	-	-	1,941,696
Other comprehensive income after tax for the year 2022	-	-	-	-	-	-	-	-	4,265	-	4,265
Total comprehensive income for the year 2022	-	-	-	-	-	-	1,941,696	1,941,696	4,265	-	1,945,961
Issuance of ordinary shares under the employee share option plan	2,230	(2,013)	217	13,770	-	-	-	-	-	-	13,987
Balance at December 31, 2022	\$ 807,786	\$ 848	\$ 808,634	\$ 6,178,947	\$ 566,709	\$ -	\$ 3,396,727	\$ 3,963,436	\$ (450)	\$ -	\$ 10,950,567

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

AP Memory Technology Corporation and its Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities		
Income before income taxes	\$ 2,449,283	\$ 2,514,266
Adjustments to reconcile profit (loss)		
Depreciation expense	58,876	48,237
Amortization expense	15,799	25,050
Expected credit/ impairment (gain on reversal of impairment loss) loss	(638)	(602)
Valuation gain on financial assets at fair value through profit or loss	(114,018)	(120,071)
Interest expense	1,570	1,951
Interest income	(106,839)	(4,957)
Dividend income	(322)	(503)
Cost of share-based payment	26,099	25,465
Share of profit (loss) of associates accounted for using equity method	(5,964)	(12,618)
Loss on disposal and scrap of property, plant and equipment	(54)	-
Profit from lease modification	(25)	-
Gain (on disposal of assets)	(13,443)	-
Loss of inventory falling price and slow-moving inventory	25,675	63,481
Unrealized foreign exchange loss (gain)	(4,839)	(24,446)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	-	976,634
Notes and accounts receivable	223,233	(251,038)
Other receivables	17,654	384,775
Inventories	142,554	(1,135,047)
Other assets	(4,666)	(97,408)
Refundable deposits	519	(243,440)
Contract liabilities	(150,559)	173,514
Accounts payable	(452,124)	365,124
Other payables	(45,483)	(141,367)
Other current liabilities	(996)	1,556
Cash inflow (outflow) generated from operations	2,061,292	2,548,556
Interest received	95,178	4,143
Dividend received	\$ 322	\$ 503

(Next page)

(Previous page)

	2022	2021
Interest paid	(\$ 1,570)	(\$ 1,953)
Income taxes paid	(580,588)	(140,324)
Net cash inflow (outflow) generated from operating activities	<u>1,574,634</u>	<u>2,410,925</u>
Cash flows from investing activities		
Proceeds from disposal of financial assets at amortized	-	57,528
Acquisition of investment accounted for using equity method	(33,771)	-
Purchase of property, plant and equipment	(26,030)	(87,049)
Disposition of Property, plant and equipment	548	-
Increase in refundable deposits	-	(12,984)
Acquisition of intangible assets	(19,194)	(7,404)
Dividends received from associates	<u>11,160</u>	<u>5,400</u>
Net cash flows from investing activities	<u>(67,287)</u>	<u>(44,509)</u>
Cash flows from (used in) financing activities		
Decrease in short-term loans	-	(130,613)
Increase in guarantee deposits	-	14,000
Payment of lease liabilities	(42,307)	(36,892)
Cash dividend paid	(968,275)	(370,373)
Proceeds from issuing shares	5,151,283	-
Exercise of employee share options	<u>13,987</u>	<u>12,750</u>
Net cash from financing activities	<u>4,154,688</u>	<u>(511,128)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>2,950</u>	<u>(808)</u>
Net increase in cash and cash equivalents	5,664,985	1,854,480
Cash and cash equivalents at the beginning of the year	<u>2,517,447</u>	<u>662,967</u>
Cash and cash equivalents at the end of the year	<u>\$ 8,182,432</u>	<u>\$ 2,517,447</u>

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

AP Memory Technology Corporation and its Subsidiaries
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. General Information

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

Upon approval of Taipei Exchange (TPEX) in June 2015, the Corporation started trading on TPEX’s Emerging Stock Board; and then trading on Taiwan Stock Exchange (TWSE) on May 31, 2016. The Corporation also, for the first time ever, publicly issued global depository receipts (GDRs) by issuing new shares for capital increase in January 2022; and then become a listed company at Luxembourg Stock Exchange.

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

2. Approval of Financial Statements

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

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

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

Whenever applied, the initial applications of the amendments to IFRSs endorsed by FSC would not have any material impact on the Group’s accounting policy.

- (2) Applicable IFRSs endorsed by FSC in 2023

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

Note 1: The amendments are applicable to the reporting period beginning on or after January 1, 2023.

Note 2: The amendments are applicable to changes to accounting estimates and accounting policy during annual reporting period beginning on or after January 1, 2023.

Note 3: The amendments are applicable to transactions beginning on or after January 1, 2022, except for deferred income tax recognized for temporary differences in lease and decommissioning obligations on January 1, 2022.

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

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

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

Note 1: Except for separate notes, the above newly released, amended or revised standards or interpretations shall become effective for annual reporting periods beginning on or after the specified dates.

Note 2: The seller-lessee should retrospectively apply the amendments to IFRS16 for sale and leaseback transactions signed after the initial adoption of IFRS16.

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

4. Summary of Significant Accounting Policies

- (1) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs recognized and promulgated by Financial Supervisory Committee (FSC).

- (2) Basis of preparation

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

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

- 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.
- (3) Classification of current and non-current assets and liabilities
- Current assets include:
- A. Assets held primarily for the purpose of trading;
 - B. Assets expected to be realized within 12 months after the reporting period; and
 - C. Cash and cash equivalents (unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period).
- Current liabilities include:
- A. Liabilities held primarily for the purpose of trading;
 - B. Liabilities due to be settled within 12 months after the reporting period, and
 - C. Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.
- Assets and liabilities that are not classified as current are classified as non-current.

(4) Basis of consolidation

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

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

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

See Note 11 and Appendices 4 and 5 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

(5) Foreign currencies

In preparing the Corporation's parent company only financial statements, transactions in currencies other than the Corporation's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are retranslated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of foreign operations (including the Corporation's subsidiaries that are located in a different country or use different currency) are translated into the presentation currency - the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

For the disposal of the Group's foreign ownership interests, the currency translation differences accumulated in equity will be reclassified to profit or loss.

(6) Inventories

Inventories consist of raw materials, supplies, work-in-process and finished goods. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are calculated using the weighted average method.

(7) Investments in associates

An associate is an entity over which the Group has significant influence and which is not a subsidiary.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the Group ceases to have significant influence over an associate. When the Group retains an interest in the former associate, the Group measures the retained interest at fair value at that date. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized only in the parent company only financial statements only to the extent of interests in the associate that are not related to the Group.

(8) Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

(9) Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal.

(10) Intangible assets

A. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

B. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

C. Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(11) Impairment of property, plant, equipment, right-of-use assets and intangible assets (except goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant, equipment, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

(12) Financial instruments

Financial assets and financial liabilities are recognized in consolidated balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

A. Financial assets

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

a. Measurement categories

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

(a) Financial assets at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include equity instrument investments that the Group has not specified to be Measured at FVTPL through other comprehensive income and investments in debt instruments that do not meet the amortized cost criteria or the fair value through other comprehensive income (FVTOCI) criteria.

Financial assets at FVTPL are subsequently measured at fair value, with dividends, interest and any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 31.

(b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash, cash equivalents, debt investments at amortized cost, accounts receivable, other receivables and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i. Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- ii. Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit-impaired when the issuer or debtor suffers from a major financial difficulty; contract violation takes place; the debtor can possibly file for bankruptcy or financial organization; or the active market of financial assets disappears due to financial difficulty.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b. Impairment of financial assets

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

The Group always recognizes lifetime Expected Credit Loss (i.e., ECLs) for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

If the Group, oriented to the objective of internal credit risk management, determines that the debtor is incapable to pay off debts based on internal or external information without considering its possessed collaterals, it indicates that the financial asset has defaulted.

The Group recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received is recognized in profit or loss.

B. Equity instruments

Liability and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definition of financial liability and equity instruments.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Corporation's own equity instruments.

C. Financial liabilities

a. Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b. Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(13) Revenue recognition

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

A. Revenue from the sale of goods

Revenue from the sale of goods comes from the sales of integrated circuit (IC) products. Revenue and receivables from the sale of goods are recognized when trade terms are fulfilled because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility to sales to future customers and bears the risk of obsolescence. The advance receipts from the sale of goods are recognized as contract liabilities before the goods arrive.

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

B. Revenue from the rendering of services

Revenue from the rendering of services comes from providing design and R&D related technical services in accordance with customer contract specifications and are recognized depending on the fulfillment of performance criteria.

Regarding the service of procuring wafers on behalf of customers, as the Group does not obtain control over the wafers before transferring them to customers, the Group is not responsible for whether the wafers are accepted by the customers or not. Besides, as the Group does not make any commitment for procuring wafers before customers place an order, the Group does not suffer from any inventory risk. The wafer procurement service is provided by the Group as an agent and, after the control over the wafers has been transferred to customers and after the Group has fulfilled all obligations, the net value shall be recognized as revenue and accounts receivable. The remaining payments, on the other hand, shall be listed as other receivables and payables for the procurement of wafers.

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

C. Revenue from licensing

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

(14) Leases

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

The Group as lessee

Except for short-term leases and low-value asset leases which are recognized as expense on straight-line basis over the lease terms, the Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Subsequently, the right-of-use assets are measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in consolidated balance sheet.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprises fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If implicit rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in consolidated balance sheet.

(15) Employee benefits

A. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

B. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

(16) Share-based payment arrangements

The fair value at the grant date of the employee share options is expensed on the straight-line basis over the vesting period, based on the Group's best estimates of the number of options or options that are expected to ultimately vest, with a corresponding adjustment to capital surplus – employee share options. It is recognized as an expense in full at the grant date if vested immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options. The impact of the revision of the original estimates is recognized in profit or loss such that cumulative expense reflects the revised estimate, with a corresponding adjustment to capital surplus – employee share options.

(17) Income taxes

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

A. Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the R.O.C., an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

B. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

C. Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Fair value measurements and valuation process

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

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

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

For detailed information about fair value valuation techniques, please refer to Notes 7 and 26.

6. Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 30	\$ 56
Checking accounts and demand deposits	1,112,475	1,096,391
Cash equivalents (investments with original maturities of three months or less)		
Time deposits	<u>7,069,927</u>	<u>1,421,000</u>
	<u>\$ 8,182,432</u>	<u>\$ 2,517,447</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank deposit	0.001%~1.55%	0.001%~1.4375%
Time deposits	0.31%~4.31%	0.05%~0.4%

7. Financial instruments at FVTPL

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

- (1) The Group signed an investment agreement with Haining Changmeng Tachnology Partnership Enterprise (Limited Partnership) (hereinafter referred to as Haining Changmeng) in August 2019. With a total investment of RMB6,900 thousand (24.64%), the Group does not have the ability to influence relevant activities and therefore does not have relevant significant influence. As of December 31, 2022, the Group has contributed 24.64% of the total paid-in capital.
- (2) The Group acquired 1,500 thousand ordinary shares of Powerchip Semiconductor Manufacturing Corp. (hereinafter referred to as PSMC), counting 0.048% of PSMC's issued shares, in August 2019 at the price of \$15,150 thousand. Later in June and August 2021, the Group sold 250,000 and 451,000 shares at \$16,713 thousand and \$30,809 thousand; and produced realized benefits amounted at \$14,188 thousand and \$26,253 thousand, respectively. The Group also purchased 70 thousand shares newly issued by PSMC for capital increase and the investment amount thereof was \$2,782 thousand. As of December 31, 2022, the Group possesses 0.004% of PSMC's shares.
- (3) In August 2020, the Group acquired 500 thousand ordinary shares of GeneASIC Technologies Corporation (hereinafter referred to as GeneASIC) in August 2020 at the price of \$500 thousand. As of December 31, 2022, the Group possesses 14.46% of GeneASIC's shares.

8. Financial assets at amortized cost

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Time deposits with the original maturity of more than 3 months.	\$ <u>2,782</u>	\$ <u>2,763</u>
<u>Non-current</u>		
Time deposits with the original maturity of more than 1 year.	\$ <u>6,522</u>	\$ <u>5,789</u>

Please refer to Note 28 for information relating to investments measured at amortized cost.

9. Notes receivable, accounts receivable and other receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Accounts receivable</u>		
Measured at amortized cost		
Gross carrying amount	\$ 638,601	\$ 855,564
Less: Allowance for impairment loss	(<u>4</u>)	(<u>1,484</u>)
	\$ <u>638,597</u>	\$ <u>854,080</u>
<u>Other receivables</u>		
Tax receivable	\$ 16,947	\$ 34,257
Others	<u>14,932</u>	<u>3,849</u>
	\$ <u>31,879</u>	\$ <u>38,106</u>

(1) Accounts receivable

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

The Group measures the impairment loss allowance for accounts receivable at an amount equal to lifetime expected credit losses (ECLs). The ECLs on accounts receivable are estimated by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. The Group divides customers into segments based on historical credit loss experience; and sets ECL based on past due status of different customer base.

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

The following table details the impairment loss allowance of accounts receivable as assessed by the Group based on provision matrix:

December 31, 2022

	Not past due	Due in 1 – 30 days	Due in 31 – 60 days	Due in 61 – 90 days	Due in 91 – 180 days	Due in 181 – 360 days	Due in more than 360 days	Total
Gross carrying amount	\$ 305,585	\$ 60,262	\$ 15,355	\$ 24,568	\$ 232,831	\$ -	\$ -	\$ 638,601
Allowance for impairment loss (lifetime ECL)	-	-	-	-	(4)	-	-	(4)
Amortized cost	<u>\$ 305,585</u>	<u>\$ 60,262</u>	<u>\$ 15,355</u>	<u>\$ 24,568</u>	<u>\$ 232,827</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 638,597</u>

December 31, 2021

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

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

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

10. Inventories

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Finished goods	\$ 340,443	\$ 212,800
Work-in-process goods	219,087	659,230
Raw materials	968,862	824,591
	<u>\$ 1,528,392</u>	<u>\$ 1,696,621</u>

The nature of operating costs is as follows:

	<u>2022</u>	<u>2021</u>
Cost of inventories sold	\$ 2,847,706	\$ 3,528,126
Inventory devaluation	25,675	63,481
	<u>\$ 2,873,381</u>	<u>\$ 3,591,607</u>

11. Subsidiaries

Subsidiaries included in the consolidated financial statements.

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

Investor	Subsidiary	Business nature	% of ownership		Descriptions
			December 31, 2022	December 31, 2021	
The Corporation	AP Memory Corp, USA (hereinafter referred to as "AP-USA")	IC research and development services	100%	100%	(1)
The Corporation	Zentel Electronics Corporation	IC research, development and sales	-	100%	(2)
The Corporation	AP Memory Technology (Hangzhou) Limited Co. (hereinafter referred to as "AP Hangzhou")	IC research, development and sales	100%	100%	(3)
The Corporation	APware Technology Corp. (hereinafter referred to as APware)	IC research and development services	100%	100%	(4)
The Corporation	VIVR Corporation (hereinafter referred to as VIVR)	IC research and development services	100%	-	(5)
The Corporation	CascadeTeq Inc. (hereinafter referred to as CascadeTeq)	Sale of ICs	100%	-	(6)
AP Hangzhou	AP Memory Technology (Hong Kong) Co. Limited (hereinafter referred to as "AP Hong Kong")	Sale of ICs	100%	100%	(7)

- a. Established in State of Oregon of the United States in February 2012, AP-USA mainly engages in the research and development of integrated circuits (ICs). As of February 24, 2023, the Corporation already contributed US\$2,000 thousand of capital thereto.
- b. To integrate all resources and optimize the synergy of economies of scale, the Corporation's board of directors reached a decision on September 2, 2016 to publicly purchase the ordinary shares of Zentel Electronics. As of the expiry date of the acquisition period, the Corporation totally purchased 55.24% equity interest of Zentel Electronics at the price of \$544,291 thousand. Later on June 19, 2017, the Corporation then, upon resolution of the board of directors, acquire the remaining equity of Zentel Electronics (counting 44.76%) at the price of \$441,040 thousand via cash consideration in accordance with Business Mergers And Acquisitions Act. Up until now, the Corporation already purchased the full equity of Zentel Electronics. Zentel Electronics engages in the design, development and sale of ICs. To plan the operations and enhance the capital use efficiency of Zentel Electronics, the Corporation has reduced capitalization and returned the share money of \$399,000 thousand on July 30, 2021. Considering the Group's overall operational and resource allocation plans, Zentel Electronics dissolved on June 30, 2022 and completed the liquidation process on January 12, 2023.
- c. Established in Hangzhou in December 2017, AP Hangzhou mainly engages in the design, development and sale of ICs. In 2021, the Corporation contributed US\$1,000 thousand of capital thereto. As of February 24, 2023, AP Hangzhou's paid-in capital is amounted US\$2,000 thousand.
- d. To cope with the projected growth of reinvestment business and to develop into operational deployment planning, the board of directors has adopted the resolution of establishing the subsidiary "APware Technology Corp." (hereinafter referred to as APware) in Cayman Islands on October 15, 2021; and APware, which engages in IC design, development and

sales, was established in October 2021. As of February 24, 2023, the Corporation has not invested capital therein yet.

- e. To cope with future product development and plan for operational deployment, the Corporation's board of directors resolved to establish a subsidiary, VIVR, in the United States on August 30, 2022. VIVR was established in December 2022 and mainly engages in the design, development and sales of IC. As of February 24, 2023, VIVR's actual paid-in capital was USD1,000,000
- f. To plan for operational deployment, the Corporation's board of directors resolved to establish a subsidiary, CascadeTeq, on October 28, 2022. CascadeTeq was established in December 2022 and mainly engages in the sales of IC. As of February 24, 2023, CascadeTeq's actual paid-in capital was NT\$5,000 thousand.
- g. AP Hangzhou established AP Memory Technology (Hong Kong) Co. Limited, a company primarily engages in the sale of ICs, in October 2019 in Hong Kong. AP Hangzhou has contributed US\$10 thousand of capital in June 2021. As of February 24, 2023, the Corporation's paid-in capital is US\$10 thousand.

12. Investments accounted for using equity method

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Investments in associate</u>		
Individually insignificant associates		
Lyontek Inc. (hereinafter referred to as "Lyontek") (1)	\$ 88,690	\$ 87,123
ONECENT TECHNOLOGY LTD (hereinafter referred to as "ONECENT") (2)	<u>26,301</u>	<u>-</u>
	<u>\$ 114,991</u>	<u>\$ 87,123</u>

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

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

(1) The Group invested NT\$75,060 thousand in October 2016 to obtain 3,600 thousand ordinary shares of Lyontek Inc., with a shareholding ratio of 30%. The goodwill obtained from Lyontek Inc., which was NT\$2,610 thousand, was recognized as the costs of investments in associates.

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

13. Property, plant and equipment

	Machinery and equipment	Computer and communications equipment	Office equipment	Leasehold improvement	Total improvement
<u>Cost</u>					
Balance at January 1, 2022	\$ 146,711	\$ 11,294	\$ 4,259	\$ 16,364	\$ 178,628
Addition	22,046	2,364	657	353	25,420
Disposal	(539)	(178)	-	-	(717)
Net exchange differences	20	99	36	19	174
Balance at December 31, 2022	<u>168,238</u>	<u>13,579</u>	<u>4,952</u>	<u>16,736</u>	<u>203,505</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2022	77,546	8,361	3,971	7,351	97,229
Depreciation expense	20,049	1,482	417	3,772	25,720
Disposal	(45)	(178)	-	-	(223)
Net exchange differences	8	85	32	20	145
Balance at December 31, 2022	<u>97,558</u>	<u>9,750</u>	<u>4,420</u>	<u>11,143</u>	<u>122,871</u>
Net at December 31, 2022	<u>\$ 70,680</u>	<u>\$ 3,829</u>	<u>\$ 532</u>	<u>\$ 5,593</u>	<u>\$ 80,634</u>
<u>Cost</u>					
Balance at January 1, 2021	\$ 103,762	\$ 7,938	\$ 5,632	\$ 6,718	\$ 124,050
Addition	77,101	3,383	83	7,787	88,354
Internal transfer	(432)	-	432	1,869	1,869
Disposal	(33,713)	-	(1,871)	-	(35,584)
Net exchange differences	(7)	(27)	(17)	(10)	(61)
Balance at December 31, 2021	<u>146,711</u>	<u>11,294</u>	<u>4,259</u>	<u>16,364</u>	<u>178,628</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2021	99,030	6,723	5,129	5,159	116,041
Depreciation expense	12,230	1,659	724	2,198	16,811
Disposal	(33,713)	-	(1,871)	-	(35,584)
Net exchange differences	(1)	(21)	(11)	(6)	(39)
Balance at December 31, 2021	<u>77,546</u>	<u>8,361</u>	<u>3,971</u>	<u>7,351</u>	<u>97,229</u>
Net at December 31, 2021	<u>\$ 69,165</u>	<u>\$ 2,933</u>	<u>\$ 288</u>	<u>\$ 9,013</u>	<u>\$ 81,399</u>

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

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

14. Lease Agreements

(1) Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amounts of right-of-use assets		
Building	\$ 18,000	\$ 16,024
Machinery and equipment	<u>62,018</u>	<u>82,884</u>
	<u>\$ 80,018</u>	<u>\$ 98,908</u>
	<u>2022</u>	<u>2021</u>
Increase of the right-of-use assets	<u>\$ 14,612</u>	<u>\$ 84,296</u>
Depreciation expense of the right-of-use asset		
Building	\$ 12,290	\$ 11,139
Machinery and equipment	<u>20,866</u>	<u>20,287</u>
	<u>\$ 33,156</u>	<u>\$ 31,426</u>

(2) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carry amounts of lease liabilities		
Current	<u>\$ 54,559</u>	<u>\$ 41,286</u>
Non-current	<u>\$ 9,122</u>	<u>\$ 50,570</u>

The discount rate intervals of lease liabilities are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Building	2%~4%	1.8%~2%
Machinery and equipment	1.8%	1.8%

(3) Other lease information

	<u>2022</u>	<u>2021</u>
Expense relating to short-term leases	<u>\$ 4,556</u>	<u>\$ 3,169</u>
Total cash (outflow) for leases	<u>(\$ 48,390)</u>	<u>(\$ 41,846)</u>

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

15. Other intangible assets

	<u>Computer software</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ 100,349
Increase during the year	19,194
Net exchange differences	<u>5,462</u>
Balance at December 31, 2022	<u>\$ 125,005</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2022	\$ 83,371
Amortization expense	15,799
Net exchange differences	<u>4,124</u>
Balance at December 31, 2022	<u>\$ 103,294</u>
Net at December 31, 2022	<u>\$ 21,711</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 109,828
Increase during the year	7,404
Disposal of subsidiaries	(15,589)
Net exchange differences	<u>(1,294)</u>
Balance at December 31, 2021	<u>\$ 100,349</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2021	\$ 74,725
Amortization expense	25,050
Disposal of subsidiaries	(15,589)
Net exchange differences	<u>(815)</u>
Balance at December 31, 2021	<u>\$ 83,371</u>
Net at December 31, 2021	<u>\$ 16,978</u>

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

Computer software	1 to 3 years
-------------------	--------------

16. Other assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Advances and prepayments	\$ 48,751	\$ 8,182
Excess business tax paid	5,090	\$ 6,415
Others	<u>8,615</u>	<u>919</u>
	<u>\$ 62,456</u>	<u>\$ 15,516</u>
<u>Non-current</u>		
Masks and probe cards	\$ 116,676	\$ 205,226
Long-term advances and prepayments	60,800	-
Prepayment for bonus	<u>11,719</u>	<u>26,241</u>
	<u>\$ 189,195</u>	<u>\$ 231,467</u>

17. Other Liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Other payables		
Payable for employees' compensation	\$ 71,466	\$ 106,662
Payable for salaries and bonuses	21,888	51,630
Payable for masks and probe cards	13,759	625
Payable for compensated absences	7,371	6,426
Payable for board directors' remuneration	5,000	8,000
Payable for labor costs	2,583	2,081
Payable for labor and national health insurance	2,547	2,316
Payable for pension	2,450	2,095
Payable for equipment	695	1,305
Others	<u>18,805</u>	<u>11,229</u>
	<u>\$ 146,564</u>	<u>\$ 192,369</u>
Other Liabilities		
Advance receipts	\$ 2,387	\$ 2,557
Others	<u>875</u>	<u>1,701</u>
	<u>\$ 3,262</u>	<u>\$ 4,258</u>

18. Retirement Benefit Plans

Defined Contribution Plans

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

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

19. Equity

(1) Share capital

A. Ordinary shares

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

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

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

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

B. Issuance of GDRs

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

(2) Capital surplus

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

A. Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).

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

(3) Retained earnings and dividend policy

The Corporation's Articles of Incorporation state that any earnings received by the Corporation in the fiscal year shall be used to pay taxes and offset accumulated deficits first; have 10% thereof set aside as legal reserve; and then recognize or reverse the remaining amount as a special reserve as prescribed by law. The board of directors shall draft an earnings distribution proposal for the remaining earnings together with unappropriated earnings accumulated over the years. The said surplus earnings may be distributed in the form of new shares after a resolution has been adopted by the shareholders' meeting; or in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors and been reported to the shareholders' meeting. With respect to the policy of distributing employees' compensation and board directors' remuneration as prescribed in the Corporation's Articles of Incorporation, please refer to "Employees' Compensation and Board Directors' Remuneration" in Note 21(3).

Considering the Corporation's environment and growth stage, dividends may be distributed in cash or in stock in response to the future demand for funds and long-term financial plan. Among

them, the proportion of cash dividends shall not be less than 20% of the dividends distributed to shareholders.

The aforesaid proportion of dividend distribution may be adjusted according to the Corporation's earnings and available funds for the year upon resolution of the shareholders meeting.

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

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

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

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

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

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

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

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

(4) Other equity

A. Exchange differences on translation of foreign financial statements

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

(5) Treasury shares

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

To transfer shares to employees, the Corporation had, upon resolution of the board of directors on October 8, 2018, bought back 258 thousand shares between October 9, 2018 and December 8, 2018 at a price of NT\$11,246 thousand. In August 2021, amendments to the Corporation's Articles of Incorporation were made upon resolution at the shareholders' meeting, changing the par value from NT\$10 to NT\$5. The relevant conversion was completed in October 2021, resulting in an increase in the number of treasury shares bought back to 516 thousand. On February 25, 2022, the Corporation's board of directors resolved to redeem the said 516 thousand treasury shares and relevant amendment registration has already been completed.

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

20. Revenue

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 4,646,381	\$ 6,318,944
Revenue from the rendering of services	277,245	139,566
Revenue from licensing	152,451	154,095
Other income	<u>18,698</u>	<u>4,610</u>
	<u>\$ 5,094,775</u>	<u>\$ 6,617,215</u>

(1) Descriptions of contracts with customers

Please refer to Note 4 (13) for more information.

(2) Contract balance

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Accounts receivable (Note 9)	<u>\$ 638,597</u>	<u>\$ 854,080</u>	<u>\$ 600,601</u>
Contract liabilities			
Sale of goods	<u>\$ 23,043</u>	<u>\$ 173,602</u>	<u>\$ 88</u>

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

Contract liabilities that incurred at the beginning of the year and recognized as revenue in the year is as follows:

	<u>2022</u>	<u>2021</u>
<u>From the contract liabilities at the beginning of the year</u>		
Sale of goods	<u>\$ 173,602</u>	<u>\$ 88</u>

21. Net Profit

(1) Depreciation and amortization

	<u>2022</u>	<u>2021</u>
Property, plant and equipment	\$ 25,720	\$ 16,811
Right-of-use assets	33,156	31,426
Other intangible assets	<u>15,799</u>	<u>25,050</u>
	<u>\$ 74,675</u>	<u>\$ 73,287</u>
Depreciation expense by function		
Cost of sales	\$ 40,654	\$ 31,685
Operating expense	<u>18,222</u>	<u>16,552</u>
	<u>\$ 58,876</u>	<u>\$ 48,237</u>
Amortization expense by function		
Cost of sales	\$ 30	\$ 153
Operating expense	<u>15,769</u>	<u>24,897</u>
	<u>\$ 15,799</u>	<u>\$ 25,050</u>

(2) Employee benefit expense

	<u>2022</u>	<u>2021</u>
Retirement benefit plans		
Defined Contribution Plans (Note 18)	<u>\$ 14,074</u>	<u>\$ 11,652</u>
Share-based payment		
Equity settlement	<u>26,099</u>	<u>25,465</u>
Other employee benefits		
Salary expense	386,598	455,945
Labor insurance and national health insurance expense	24,095	20,002
Other employment expense	<u>22,148</u>	<u>17,046</u>
	<u>432,841</u>	<u>492,993</u>
Total employee benefit expense	<u>\$ 473,014</u>	<u>\$ 530,110</u>
Summarized by functions		
Cost of sales	\$ 53,660	\$ 50,482
Operating expense	<u>419,354</u>	<u>479,628</u>
	<u>\$ 473,014</u>	<u>\$ 530,110</u>

(3) Employees' compensation and board directors' remuneration

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

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

Estimation rate

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

Amount

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

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

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

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

(4) Exchange difference recognized in profit or loss

	<u>2022</u>	<u>2021</u>
Total exchange gain	\$ 1,342,335	\$ 67,025
Total exchange loss	(641,353)	(82,408)
Net profit (loss)	(\$ 700,982)	(\$ 15,383)

22. Income Tax

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

	<u>2022</u>	<u>2021</u>
Current income tax		
Expenses recognized in the current year	\$ 465,660	\$ 409,768
Unappropriated earnings	42,732	14,552
Adjustments on prior years	(20,982)	(7,881)
	<u>487,410</u>	<u>416,439</u>
Deferred tax		
Expenses recognized in the current year	<u>20,177</u>	<u>72,370</u>
Income tax expense recognized in profit or loss	<u>\$ 507,587</u>	<u>\$ 488,809</u>

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

	<u>2022</u>	<u>2021</u>
--	-------------	-------------

Income before taxes	<u>\$ 2,449,283</u>	<u>\$ 2,514,266</u>
Income tax expense at the statutory rate	\$ 490,246	\$ 503,979
Unrecognized tax benefit	(4,409)	(21,841)
Income tax adjustments on prior years	(20,982)	(7,881)
Unappropriated earnings	<u>42,732</u>	<u>14,552</u>
Income tax expense recognized in profit or loss	<u>\$ 507,587</u>	<u>\$ 488,809</u>

(2) Deferred tax assets and liabilities

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

2022

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

2021

	<u>Balance at the beginning of the year</u>	<u>Recognized in profit or loss</u>	<u>Balance at the end of the year</u>
<u>Deferred tax assets</u>			
Temporary differences			
Exchange loss	\$ 5,162	(\$ 4,566)	\$ 596
Payable for compensated absences	738	548	1,286
Allowance for loss of inventory falling price and slow-moving inventory	33,267	(9,663)	23,604
Current financial assets at fair value through profit or loss	557	(557)	-
Compensation for loss	<u>39,087</u>	<u>(39,087)</u>	<u>-</u>
	<u>\$ 78,811</u>	<u>(\$ 53,325)</u>	<u>\$ 25,486</u>

	Balance at the beginning of the year	Recognized in profit or loss	Balance at the end of the year
<u>Deferred tax liabilities</u>			
Temporary differences			
Current financial assets at fair value through profit or loss	\$ -	\$ 18,721	\$ 18,721
Exchange gain	<u>233</u>	<u>324</u>	<u>557</u>
	<u>\$ 233</u>	<u>\$ 19,045</u>	<u>\$ 19,278</u>

(3) Income tax assessment

The Corporation's tax returns for income tax through 2020 have been approved by the tax authority. The Corporation's subsidiary, Zentel Electronics, has completed liquidation and its tax returns filed in precedent years have been approved by the tax authority.

23. Earnings per share

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

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

Net profit for the year

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

Number of shares

	Unit: 1,000 shares	
	<u>2022</u>	<u>2021</u>
Weighted average number of ordinary shares outstanding used in the computation of basic earnings per share	160,602	148,148
Effects of potentially dilutive ordinary shares:		
Employee share options	1,453	2,251
Employees' compensation	<u>246</u>	<u>167</u>
Weighted average number of ordinary shares outstanding used in the computation of diluted earnings per share	<u>162,301</u>	<u>150,566</u>

Since the Corporation can offer to settle the bonuses to employees in cash or shares, the Corporation assumes that the entire amount of bonus would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the

computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at the meeting in the following year.

24. Share-based payment Agreements

(1) Employee share option plan

Grant date	December 23, 2022	April 29, 2022	March 12, 2021	September 26, 2020	December 20, 2019	April 26, 2019	November 9, 2018	January 25, 2017	
Approval date by board of directors	August 30, 2022	July 30, 2021	August 7, 2020	August 7, 2020	April 26, 2019	August 8, 2018	August 8, 2018	November 3, 2016	
Grant unit	426,330	267,000	69,430	319,000	750,000	8,000	692,000	680,000	
Exercise price (NT\$)	170	251	781	333.5	83.7	43.85	44.8	81.70	
(Notes 1 and 2)									
Share per unit (Note 2)	1 ordinary share								
Granted to	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	
Vesting conditions (Note 3)	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 40% 3 years 30% 4 years 30%
Life/duration (year)	10	10	10	10	10	10	10	10	

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

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

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

Information relating to issued employee share options is as follows:

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

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

Information relating to employee share options outstanding as of the balance sheet reporting date:

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

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

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

Expected volatility is computed based on the average historical volatility of similar entities. It is assumed that, between the end of vested period and expected life, employees would exercise options. Compensation costs recognized in 2022 and 2021 were \$26,099 thousand and \$25,465 thousand, respectively.

25. Capital risk management

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

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

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

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

26. Financial instruments

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

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

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

A. Fair value hierarchy

December 31, 2022

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

December 31, 2021

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

B. Reconciliation of Level 3 - Financial Liabilities at FVTPL

2022

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

2021

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

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

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

(3) Classification of financial instruments

<u>Financial assets</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
At Fair Value Through Profit or Loss (FVTPL)		
Equity instrument investment	\$256,007	\$141,989
Measured at amortized cost (Note 1)	9,309,717	3,848,899
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	310,525	806,415

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

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

(4) Financial risk management objectives and policies

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

A. Market risks

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

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

a. Currency risk

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

For the Group's monetary assets denominated in non-functional currency and carrying values of monetary liabilities recorded at the balance sheet date, please refer to Note 31.

Sensitivity analysis

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

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

	Impact of the U.S. dollar	
	2022	2021
Profit or loss (i)	\$ 382,453	\$ 35,483

(i) The above profit or loss is mainly associated with demand deposits, time deposits, other receivables, accounts receivable, accounts payable and other payables calculated in U.S. dollar, which are outstanding and not being hedged against cash flows risk at balance sheet date.

b. Interest rate risk

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

	December 31, 2022	December 31, 2021
Fair value interest rate risk		
- Financial assets	\$ 7,079,231	\$ 1,429,552
- Financial liabilities	63,681	91,856
Cash flow interest rate risk		
- Financial assets	1,112,434	1,096,355
- Financial liabilities	-	-

Sensitivity analysis

The sensitivity analysis was determined on the basis of the Group's exposure to interest rate changes for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of assets and liabilities outstanding during the reporting period had been outstanding for the whole year. Had interest rates been fifty basis points higher and all other variables were held constant, the Group's pretax profits would have increased by \$5,562 thousand and \$5,482 thousand in 2022 and 2021, respectively. Such increase is resulted from the Group's variable-rate account.

(c) Other price risks

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

Sensitivity Analysis

The following sensitivity analysis is carried out on the equity price on the balance sheet date.

If the equity price increases/decreases by 5%, the Group's net profit before tax for 2022 and 2021 will increase/decrease by \$12,800 thousand and \$7,099 thousand as the financial assets are measured at fair value through profit and/or loss.

B. Credit risk

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

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

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

C. Liquidity risk

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

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

(a) Table of liquidity and interest rate risks

The following tables show the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed-upon repayment periods. The tables

had been drawn up on the basis of the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows.

December 31, 2022

	Weighted average effective interest rate (%)	On demand or less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years
<u>Non-derivative financial liabilities</u>					
Non-interest-bearing current liability	-	\$ 208,457	\$ 88,068	\$ -	\$ -
Lease liabilities	2.11	<u>14,330</u>	<u>41,089</u>	<u>9,216</u>	-
		<u>\$ 222,787</u>	<u>\$ 129,157</u>	<u>\$ 9,216</u>	<u>\$ -</u>

December 31, 2021

	Weighted average effective interest rate (%)	On demand or less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years
<u>Non-derivative financial liabilities</u>					
Non-interest-bearing current liability	-	\$ 761,075	\$ 31,340	\$ -	\$ -
Lease liabilities	1.83	<u>12,776</u>	<u>29,802</u>	<u>51,171</u>	-
		<u>\$ 773,851</u>	<u>\$ 61,142</u>	<u>\$ 51,171</u>	<u>\$ -</u>

(b) Line of credit

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

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

27. Related-Party Disclosures

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

(1) Related parties and relationships therewith

<u>Name of related party</u>	<u>Relationship with the Group</u>
Lyontek	Associate
ONECENT TECHNOLOGY (SINGAPORE) PTE.	Associate

(2) Operating revenue

<u>Accounting items</u>	<u>Type of related party</u>	<u>2022</u>	<u>2021</u>
Sales revenue	Associate	<u>\$ 9,828</u>	<u>\$ 10,196</u>
Service revenue	Associate	<u>\$ 164</u>	<u>\$ -</u>

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

(3) Accounts receivable (December 31, 2022: None)

<u>Type of related party</u>	<u>December 31, 2021</u>
Associate	<u>\$ 1,836</u>

(4) Salaries and bonuses of key management personnel

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 54,620	\$ 85,107
Retirement benefit plans	333	856
Share-based payment	<u>4,025</u>	<u>4,019</u>
	<u>\$ 58,978</u>	<u>\$ 89,982</u>

The remuneration of board directors and salaries of other key management personnel are decided by Remuneration and Compensation Committee based on individual performance and market trends.

28. Pledged Assets

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

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

29. Contingent Liabilities and Unrecognized Contractual Commitments with Significance

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

Significant Commitments

The Group has signed a long-term raw material purchase contract with suppliers. The contract period is from October 2021 to December 2023; and the Group has set \$443,440 as production capacity/purchase guarantee in October 2021. The contracts are also specified with the monthly purchase amount; and the violation terms and conditions. The Group has evaluated the current trading patterns and transactions with the suppliers; and concluded that it is unlikely to result in a compensation and will not impact on the Group's financial status and operations.

30. Important Matters

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\$99,822,000 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 (with the same amount by the court) to the court as a guarantee.

Zentel Electronics and other defendants filed an appeal on July 31, 2017 in regard to the said incident. On October 16, 2019, the intellectual property court announced the second instance verdict and dismissed the plaintiff's claims. On November 11, 2019, Kioxia filed an appeal to the court of second instance and the Supreme Court has ruled on April 13, 2022 to reject the appeal. The case is now finalized: Zentel Electronics and other defendants did not infringe plaintiff's patents. They are not required to pay compensation and are eligible to produce sales related products.

31. Foreign Currency Assets and Liabilities with Significance

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

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

December 31, 2022

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 254,995	30.71 (USD : TWD)	\$ 7,830,913
USD	223	6.9669 (USD : RMB)	<u>6,853</u>
			<u>\$ 7,837,766</u>
 <u>Non-monetary items</u>			
Equity instrument investment at FVTPL			
RMB	56,402	4.408 (RMB : TWD)	<u>\$ 248,619</u>
 <u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	5,390	30.71 (USD : TWD)	\$ 165,532
USD	755	6.9669 (USD : RMB)	<u>23,181</u>
			<u>\$ 188,713</u>

December 31, 2021

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 47,011	27.68 (USD : TWD)	\$ 1,301,257
USD	1,186	6.3720 (USD : RMB)	<u>32,818</u>
			<u>\$ 1,334,075</u>
 <u>Non-monetary items</u>			
Equity instrument investment at FVTPL			
RMB	28,462	4.344 (RMB : TWD)	<u>\$ 123,638</u>
 <u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	22,171	27.68 (USD : TWD)	\$ 613,699
USD	387	6.3720 (USD : RMB)	<u>10,710</u>
			<u>\$ 624,409</u>

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

Foreign Currency	2022		2021	
	Exchange Rate	Net exchange gain (loss)	Exchange Rate	Net exchange gain (loss)
USD	29.805 (USD : TWD)	\$ 700,036	28.009 (USD : TWD)	(\$ 18,452)
USD	6.7402 (USD : RMB)	12	6.4522 (USD : RMB)	669
RMB	4.422 (RMB : TWD)	(7)	-	-
JPY	0.2275 (JPY : TWD)	977	0.2554 (JPY : TWD)	2,402
EUR	31.36 (EUR: TWD)	(<u>36</u>)	33.160 (EUR: TWD)	(<u>3</u>)
		<u>\$ 700,982</u>		(<u>\$ 15,384</u>)

32. Additional Disclosures

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

- A. Financing provided to others: None.
- B. Endorsement and guarantee for others: None.
- C. Marketable securities held at the end of the year (investments in subsidiaries are excluded): Please refer to Appendix 1.
- D. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.
- E. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- F. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- G. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please refer to the table of Appendix 2.
- H. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- I. Information about the derivative financial instrument transaction: None.
- J. Others: Business relationships and significant transactions and amount between parent company and subsidiaries and among subsidiaries: Please refer to Appendix 3.
- K. Information of investees: Please refer to Appendix 4.

(3) Information on investments in Mainland China:

- A. The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, ending balance, amount received as dividends from the investee, and the limitation on investees: Please refer to Appendix 5.

- B. Significant direct or indirect transactions with the investee, its prices and terms of payment and unrealized gain or loss:
- The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
 - The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Please refer to Appendix 3.
 - The amount of property transactions and the amount of the resultant gains or losses: None.
 - The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
 - The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
 - Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: Please refer to Appendix 3.
- (4) Information on major shareholders: The names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the equity: Please refer to Appendix 6.

33. Operating Segments

With a focus on the types of given or provided product or services, provide information to the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. The reportable segments of the Group are as follows:

IOT Business Unit – Responsible for the sales of ICs

AI Business Unit – Responsible for the design, research, development and licensing of silicon (semiconductor) intellectual property; and the sales of related products.

(1) Segment revenue and operating results

The revenue and operating results of the Group's continuing operations are analyzed according to their respective reportable segments as follows:

January 1 to December 31, 2022

	<u>I O T</u>	<u>B U</u>	<u>A I</u>	<u>B U</u>	<u>T o t a l</u>
Segment revenue	\$ 4,281,377		\$ 813,398		\$ 5,094,775
Operating costs	(2,601,692)		(271,689)		(2,873,381)
Segment net profit	<u>\$ 1,679,685</u>		<u>\$ 541,709</u>		2,221,394
Operating expenses					(720,874)
Net operating profit					1,500,520
Non-operating income and expenditure					<u>948,763</u>
Net profit before tax					<u>\$ 2,449,283</u>

January 1 to December 31, 2021

	<u>I O T B U</u>	<u>A I B U</u>	<u>T o t a l</u>
Segment revenue	\$ 5,844,625	\$ 772,590	\$ 6,617,215
Operating costs	(3,311,969)	(279,638)	(3,591,607)
Segment net profit	<u>\$ 2,532,656</u>	<u>\$ 492,952</u>	3,025,608
Operating expenses			(655,451)
Net operating profit			2,370,157
Non-operating income and expenditure			<u>144,109</u>
Net profit before tax			<u>\$ 2,514,266</u>

(2) Revenue from major products and services

Please refer to Note 20.

(3) Information about geographical areas

The Group's revenue from external customers is distinguished by customer region and non-current assets are grouped by asset region as follows:

	<u>Revenue from external customers</u>		<u>Non-current assets</u>	
	2022	2021	December 31, 2022	December 31, 2021
	Mainland China	\$ 2,603,812	\$ 4,910,559	\$ 24,642
Japan	901,998	277,405	-	-
Taiwan	542,142	790,918	792,984	854,428
Europe	46,688	33,038	-	-
America	45,004	6,631	18,384	11,585
Others	<u>955,131</u>	<u>598,664</u>	-	-
	<u>\$ 5,094,775</u>	<u>\$ 6,617,215</u>	<u>\$ 836,010</u>	<u>\$ 893,723</u>

Non-current assets do not include assets classified as financial assets at fair value through profit or loss, financial assets at amortized cost, investments accounted for using equity method and deferred tax assets.

(4) Information about major customers

Revenue that is generated from one single customer and is more than 10% of the Group's combined revenue is as follows:

	<u>2022</u>
Customer C	\$ 853,139
Customer D	<u>736,218</u>
	<u>\$ 1,589,357</u>
	<u>2021</u>
Customer B	\$ 1,297,500
Customer A	<u>753,367</u>
	<u>\$ 2,050,867</u>

AP Memory Technology Corporation and its Subsidiaries
 Marketable Securities Held at the End of the Year
 December 31, 2022

Appendix 1

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

Held company	Type and name of marketable securities	Relationship with the issuer of securities	Account	At the end of the year (period)				Remarks
				Number of shares/ units	Carrying value	Percentage of ownership (%)	Fair value	
AP Memory Technology Corporation	Equity investments in listed (OTC) stocks							
	Powerchip Semiconductor Manufacturing Corp.	—	Current financial assets at fair value through profit or loss-Non-current	168,560	\$ 5,368	0.004%	\$ 5,368	
	Equity investments in unlisted (non-OTC) stocks							
	Haining Changmeng Technology Partnership Enterprise (Limited Partnership)	—	Current financial assets at fair value through profit or loss-Non-current	-	248,619	24.64%	248,619	
	GeneASIC Technologies Corporation	—	Current financial assets at fair value through profit or loss-Non-current	500,000	2,020	14.46%	2,020	

Note 1: Please refer to Appendixes 4 and 5 for more information about investments in subsidiaries and associates.

AP Memory Technology Corporation and its Subsidiaries
Total Purchases from or Sales to Related Parties of at Least NT\$100 million or 20% of the Paid-in Capital
For the year ended December 31, 2022

Appendix 2

(In Thousands of New Taiwan Dollars
Unless Otherwise Specified)

Company name	Related party	Nature of relationship	Transaction details				Abnormal transactions (Note 1)		Notes/ accounts payable or receivable		Remarks
			Purchase/ sale	Amount	% to total	Payment terms	Unit price	Payment terms	Balance	% to total	
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	Sub-subsidiary	Sale	(\$ 1,186,019)	(23.22%)	OA 30 day	\$ -	-	\$ 97,601	15.28%	Note 2
AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	Subsidiary	Sale	(175,086)	(3.43%)	OA 30 day	-	-	23,181	3.63%	Note 2

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

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

Note 3: The paid-in capital refers to the paid-in capital of the parent. Where the issuer's shares are denominated or the par value is not NT\$10, the paid-in capital shall be calculated as 10% of the parent's equity on the balance sheet and the rule of having 20% of paid-in capital shall be discarded accordingly.

AP Memory Technology Corporation and its Subsidiaries
Intercompany Relationships and Significant Intercompany Transactions
For the year ended December 31, 2022

Appendix 3

(In Thousands of New Taiwan Dollars
Unless Otherwise Specified)

No. (Note 1)	Investee company	Counterparty	Relationship (Note 2)	Transaction details			
				Financial statement accounts	Amount (Note 4)	Payment terms	% of total sales or assets (Note 3)
0	AP Memory Technology Corporation	AP Memory Corp, USA	(1)	Contracted research expenses	\$ 61,814	Note 5	1.21%
0	AP Memory Technology Corporation	AP Memory Corp, USA	(1)	Other payables	15,830	Note 5	0.14%
0	AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	(1)	Operating revenue	175,086	Note 5	3.44%
0	AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	(1)	Accounts receivable	23,181	Note 5	0.20%
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(1)	Operating revenue	1,186,019	Note 5	23.28%
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(1)	Accounts receivable	97,601	Note 5	0.83%
0	AP Memory Technology Corporation	Zentel Electronics Corp.	(1)	Other expenses	100	Note 5	0.00%
1	AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited	(3)	Revenue from the rendering of services	51,715	Note 5	1.02%
1	AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited	(3)	Accounts receivable	1,303	Note 5	0.01%

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

- (1) Parent company: "0".
- (2) Subsidiaries: are numbered starting from "1".

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

- (1) Parent company to subsidiary;
- (2) Subsidiary to parent company;
- (3) Subsidiary to subsidiary.

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

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

Note 5: The payment term shall refer to that agreed by both parties.

AP Memory Technology Corporation and its Subsidiaries

Information of Investees

For the year ended December 31, 2022

Appendix 4

(In Thousands of New Taiwan Dollars
Unless Otherwise Specified)

Investor	Investee	Location	Main business activities	Original investment amount		Balance at the end of the year			Net income of the investee (Note 2)	Investment profit or loss recognized in the year (Note 2)	Remarks
				At the end of the year	At the end of last year	Number of shares	% of ownership	Carrying amount (Notes 1 and 3)			
AP Memory Technology Corporation	AP Memory Corp, USA	Suite 251,BG Plaza,3800 S.W. Cedar Hills Blvd, Beaverton OR. 97005, USA	IC research and development services	\$ 60,521 (USD 2,000,000)	\$ 60,521 (USD 2,000,000)	2,000,000	100%	\$ 34,386	(\$ 5,453) (USD 182,971)	(\$ 5,453)	Subsidiary
	Zentel Electronics Corp.	10F-1, No. 1, Taiyuan 1st St., Zhubei City, Hsinchu County	IC research, development and sales	-	306,798	-	-	-	1,948	1,948	Subsidiary (Note 4)
	Lyontek Inc.	No. 17, Industry East 2nd Road, East District, Hsinchu City	IC design and sales	75,060	75,060	3,600,000	30%	88,690	42,424	12,727	Associate
	APware Technology Corp.	Suite 102, Cannon Place, North Sound Rd., George Town, Grand Cayman, Cayman Islands	IC design, development and sales	-	-	-	100%	-	-	-	Subsidiary (Note 3)
	ONECENT TECHNOLOGY LTD.	4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands	RFID system design, development and sales	33,771 (USD 1,128,000)	-	3,600,000	48%	26,301	(34,247) (USD1,149,037)	(6,763)	Associate
	VIVR Corporation	Suite W 100 North Howard Street, Spokane Washington, 99201, US	IC design, development and sales	32,140 (USD 1,000,000)	-	1,000,000	100%	30,659	(49) (USD 1,660)	(49)	Subsidiary
	CascadeTeq Inc	8F-5, No. 1, Taiyuan 1 st Street, Zhubei City, Hsinchu County	Sale of ICs	5,000	-	500,000	100%	5,001	1	1	Subsidiary
AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited	Rm.19C, Lockhart Ctr.,301-307 Lockhart Rd.,Wan Chai, Hong Kong.	Sale of ICs	275 (USD 10,000)	275 (USD 10,000)	10,000	100%	16,626	10,346	10,346	Subsidiary

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

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

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

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

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

Appendix 5

(In Thousands of New Taiwan Dollars
Unless Otherwise Specified)

Investee	Main business activities	Paid-in capital (Note 1)	Investment method	Accumulated investment outflow from Taiwan at the beginning of the year	Investment flows		Accumulated investment outflow from Taiwan at the end of the year (Note 1)	Net income of the investee (Note 3)	The Corporation's direct or indirect shareholding	Investment profit or loss recognized in the year (Notes 3 and 5)	Carry amount of the investment at the end of the year (Notes 4 and 5)	Inward investment benefits at the end of the year
					Outflow	Inflow						
AP Memory Technology (Hangzhou) Limited Co.	IC research, development and sales	58,009 (USD 2,000,000)	Note 3	58,009 (USD 2,000,000)	\$ -	\$ -	58,009 (USD 2,000,000)	16,832	100%	16,832	155,892	-

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

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

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

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

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

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

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

Note 7: Relevant transactions have been eliminated in the consolidated financial statements.

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

Appendix 6

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

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

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

INDEPENDENT AUDITORS'S REPORT

The Board of Directors and Stockholders
AP Memory Technology Corporation

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Individual Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of the most significance in our audit of the Corporation's individual financial statements for the year ended 2022. These matters were addressed in the context of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Sales Revenue from Specific Customers

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

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

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

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

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

In preparing the individual financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Individual Financial Statements

Our objectives are to obtain reasonable assurance about whether the individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered

material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual financial statements.

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

1. Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the individual financial statements, including the disclosures, and whether the individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the individual financial statements. We are responsible for the direction, supervision and performance of the Corporation audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Corporation's individual financial statements for the year ended 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche
Taipei, Taiwan
Republic of China
February 24, 2023

Notice to Readers

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

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

(In Thousands of New Taiwan Dollars)

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

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

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

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

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

(Next page)

(Previous page)

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

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

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

(In Thousands of New Taiwan Dollars)

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

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

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

(In Thousands of New Taiwan Dollars)

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

(Next page)

(Previous page)

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

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

AP Memory Technology Corporation
Notes to the Individual Financial Statements
For the years ended December 31, 2022 and 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. General Information

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

Upon approval of Taipei Exchange (TPEX) in June 2015, the Corporation started trading on TPEX’s Emerging Stock Board; and then trading on Taiwan Stock Exchange (TWSE) on May 31, 2016. The Corporation also, for the first time ever, publicly issued global depository receipts (GDRs) by issuing new shares for capital increase in January 2022; and then become a listed company at Luxembourg Stock Exchange.

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

2. Approval of Financial Statements

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

3. Application of New Amended and Revised Standards and Interpretation

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

Whenever applied, the initial applications of the amendments to IFRSs endorsed by FSC would not have any material impact on the Corporation’s accounting policy.

- (2) Applicable IFRSs endorsed by FSC in 2022

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

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

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

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

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

Note 1: Except for separate notes, the above newly released, amended or revised standards or interpretations shall become effective for annual reporting periods beginning on or after the specified dates.

Note 2: The seller-lessee should retrospectively apply the amendments to IFRS16 for sale and leaseback transactions signed after the initial adoption of IFRS16.

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

4. Summary of Significant Accounting Policies

- (1) Statement of compliance

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

- (2) Basis of preparation

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

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

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

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

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

Current assets include:

- A. Assets held primarily for the purpose of trading;
- B. Assets expected to be realized within 12 months after the reporting period; and
- C. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- A. Liabilities held primarily for the purpose of trading;
- B. Liabilities due to be settled within 12 months after the reporting period, and
- C. Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

(4) Foreign currencies

In preparing the Corporation's individual financial statements, transactions in currencies other than the Corporation's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are retranslated using the exchange rate at the date of the transaction.

For the purpose of presenting individual financial statements, the functional currencies of the Corporation and foreign operations (including the Corporation's subsidiaries that are located in a different country or use different currency) are translated into the presentation currency - the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

For the disposal of the Corporation's foreign ownership interests, the currency translation differences accumulated in equity will be reclassified to profit or loss.

(5) Inventories

Inventories consist of raw materials, supplies, work-in-process and finished goods. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are calculated using the weighted average method.

(6) Investments in subsidiaries

The Corporation uses the equity method to account for its investments in subsidiaries. A subsidiary is an entity that is controlled by the Corporation.

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

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

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

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

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

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

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

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

(7) Investment in associates

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

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

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate. The Corporation also recognizes the changes in the Corporation's share of the equity of associates attributable to the Corporation.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation's share of the net fair value of the identifiable

assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Corporation discontinues the use of the equity method from the date when the Corporation ceases to have significant influence over an associate. When the Corporation retains an interest in the former associate, the Corporation measures the retained interest at fair value at that date. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate.

When the Corporation transacts with its associate, profits and losses resulting from the transactions with the associate are recognized only in the individual financial statements only to the extent of interests in the associate that are not related to the Corporation.

(8) Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

(9) Intangible assets

A. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

B. Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

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

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant, equipment, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

(11) Financial instruments

Financial assets and financial liabilities are recognized in individual balance sheet when the Corporation becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

A. Financial assets

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

a. Measurement categories

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

(a) Financial assets at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified

as at FVTPL include equity instrument investments that the Corporation has not specified to be Measured at FVTPL through other comprehensive income and investments in debt instruments that do not meet the amortized cost criteria or the fair value through other comprehensive income (FVTOCI) criteria.

Financial assets at FVTPL are subsequently measured at fair value, with dividends, interest and any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 27.

(b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash, cash equivalents, debt investments at amortized cost, accounts receivable (including those from related parties), other receivables and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i. Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- ii. Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit-impaired when the issuer or debtor suffers from a major financial difficulty; contract violation takes place; the debtor can possibly file for bankruptcy or financial organization; or the active market of financial assets disappears due to financial difficulty.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b. Impairment of financial assets

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

The Corporation always recognizes lifetime Expected Credit Loss (i.e. ECLs) for accounts receivable. For all other financial instruments, the Corporation recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

If the Corporation, oriented to the objective of internal credit risk management, determines that the debtor is incapable to pay off debts based on internal or external information without considering its possessed collaterals, it indicates that the financial asset has defaulted.

The Corporation recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c. Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received is recognized in profit or loss.

B. Equity instruments

Liability and equity instruments issued by the Corporation are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definition of financial liability and equity instruments.

Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Corporation's own equity instruments.

C. Financial liabilities

a. Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b. Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(12) Revenue recognition

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

A. Revenue from the sale of goods

Revenue from the sale of goods comes from the sales of integrated circuit (IC) products. Revenue and receivables from the sale of goods are recognized when trade terms are fulfilled because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility to sales to future customers and bears the risk of obsolescence. The advance receipts from the sale of goods are recognized as contract liabilities before the goods arrive.

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

B. Revenue from the rendering of services

Revenue from the rendering of services comes from providing design and R&D related technical services in accordance with customer contract specifications and are recognized depending on the fulfillment of performance criteria.

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

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

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

C. Revenue from licensing

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

(13) Leases

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

The Corporation as lessee

Except for short-term leases and low-value asset leases which are recognized as expense on straight-line basis over the lease terms, the Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Subsequently, the right-of-use assets are measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in individual balance sheet.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprises fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If implicit rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Corporation remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in individual balance sheet.

- (14) Employee benefits
- A. Short-term employee benefits
- Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.
- B. Retirement benefits
- Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.
- (15) Share-based payment arrangements
- A. Equity-settled employee share options offered to employees
- The fair value at the grant date of the employee share options is expensed on the straight-line basis over the vesting period, based on the Corporation's best estimates of the number of options or options that are expected to ultimately vest, with a corresponding adjustment to capital surplus – employee share options. It is recognized as an expense in full at the grant date if vested immediately.
- At the end of each reporting period, the Corporation revises its estimate of the number of employee share options. The impact of the revision of the original estimates is recognized in profit or loss such that cumulative expense reflects the revised estimate, with a corresponding adjustment to capital surplus – employee share options.
- B. Equity-settled employee share options offered to subsidiaries' employees
- The fair value at the grant date of the equity-settled employee share options, which is deemed as the Corporation's investment in subsidiaries, is recognized as an increase in the carrying amount of investment in subsidiaries over the vesting period with a corresponding adjustment to capital surplus – employee share options.

(16) Income taxes

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

A. Current tax

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

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

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

B. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

C. Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Corporation's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Fair value measurements and valuation process

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

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

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

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

6. Cash and Cash Equivalents

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

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

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

7. Financial Instruments at FVTPL

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

- (1) The Corporation signed an investment agreement with Haining Changmeng Tachnology Partnership Enterprise (Limited Partnership) (hereinafter referred to as Haining Changmeng) in August 2019. With a total investment of RMB6,900 thousand (24.64%), the Corporation does not have the ability to influence relevant activities and therefore does not have relevant significant influence. As of December 31, 2022, the Corporation has contributed 24.64% of the total paid-in capital.
- (2) The Group acquired 1,500 thousand ordinary shares of Powerchip Semiconductor Manufacturing Corp. (hereinafter referred to as PSMC), counting 0.048% of PSMC's issued shares, in August 2019 at the price of \$15,150 thousand. Later in June and August 2021, the Group sold 250,000 and 451,000 shares at \$16,713 thousand and \$30,809 thousand; and produced realized benefits amounted at \$14,188 thousand and \$26,253 thousand, respectively. The Group also purchased 70 thousand shares newly issued by PSMC for capital increase and the investment amount thereof was \$2,782 thousand. As of December 31, 2021, the Group possesses 0.004% of PSMC's shares.
- (3) In August 2020, the Group acquired 500 thousand ordinary shares of GeneASIC Technologies Corporation (hereinafter referred to as GeneASIC) in August 2020 at the price of \$500 thousand. As of December 31, 2022, the Group possesses 14.46% of GeneASIC's shares.

8. Financial Assets at Amortized Cost

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

Please refer to Note 27 for information relating to investments.

9. Accounts Receivable and Other Receivables

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

Accounts receivable

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

The Corporation measures the impairment loss allowance for accounts receivable at an amount equal to lifetime expected credit losses (ECLs). The ECLs on accounts receivable are estimated by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. The Corporation divides customers into segments based on historical credit loss experience; and sets ECL based on past due status of different customer base.

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

The following table details the impairment loss allowance of accounts receivable as assessed by the Corporation based on provision matrix:

December 31, 2022

	Not past due	Due in 1 – 30 days	Due in 31 – 60 days	Due in 61 – 90 days	Due in 91 – 180 days	Due in 181 – 360 days	Due in more than 361 days	Total
Gross carrying amount	\$ 369,335	\$ 14,462	\$ 15,355	\$ 24,568	\$ 197,404	\$ -	\$ -	\$ 621,124
Impairment loss allowance (lifetime ECL)	-	-	-	-	(4)	-	-	(4)
Amortized cost	\$ 369,335	\$ 14,462	\$ 15,355	\$ 24,568	\$ 197,400	\$ -	\$ -	\$ 621,120

December 31, 2021

	Not past due	Due in 1 – 30 days	Due in 31 – 60 days	Due in 61 – 90 days	Due in 91 – 180 days	Due in 181 – 360 days	Due in more than 361 days	Total
Gross carrying amount	\$ 668,713	\$ 168,782	\$ 14,209	\$ -	\$ -	\$ -	\$ 827	\$ 852,531
Impairment loss allowance (lifetime ECL)	(120)	(201)	(336)	-	-	-	(827)	(1,484)
Amortized cost	\$ 668,593	\$ 168,581	\$ 13,873	\$ -	\$ -	\$ -	\$ -	\$ 851,047

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

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

10. **Inventories**

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

The nature of operating costs is as follows:

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

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

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

(1) **Investments in subsidiaries**

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

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

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

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

- A. Established in State of Oregon of the United States in February 2012, AP-USA mainly engages in the research and development of integrated circuits (Ics). As of February 24, 2023, the Corporation already contributed US\$2,000 thousand of capital thereto.
- B. To integrate all resources and optimize the synergy of economies of scale, the Corporation’s board of directors reached a decision on September 2, 2016 to publicly purchase the ordinary shares of Zentel Electronics. As of the expiry date of the acquisition period, the Corporation totally purchased 55.24% equity interest of Zentel Electronics at the price of \$544,291 thousand. Later on June 19, 2017, the Corporation then, upon resolution of the board of directors, acquire the remaining equity of Zentel Electronics (counting 44.76%) at the price of \$441,040 thousand via cash consideration in accordance with Business Mergers And Acquisitions Act. Up until now, the Corporation already purchased the full equity of Zentel Electronics. Zentel Electronics engages in the design, development and sale of Ics. To plan the operations and enhance the capital use efficiency of Zentel Electronics, the Corporation has reduced capitalization and returned the share money of \$399,000 thousand on July 30, 2021. Considering the Group’s overall operational and resource allocation plans, Zentel Electronics dissolved on June 30, 2022 and completed the liquidation process on January 12, 2023.
- C. Established in Hangzhou in December 2017, AP Hangzhou mainly engages in the design, development and sale of Ics. In 2021, the Corporation contributed US\$1,000 thousand of

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

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

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

(2) Investments in associates

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

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

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

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

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

12. Property, Plant and Equipment

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

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

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

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

13. Lease Agreements

(1) Right-of-use assets

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

(2) Lease liabilities

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

The discount rate intervals of lease liabilities are as follows:

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

(3) Other lease information

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

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

14. Other Intangible Assets

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

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

Computer software	3 years
-------------------	---------

15. Other Assets

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

16. Other Liabilities

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

17. Retirement Benefit Plans

Defined Contribution Plans

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

18. Equity

(1) Share capital

Ordinary shares

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

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

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

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

B. Issuance of GDRs

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

(2) Capital surplus

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

A. Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).

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

(3) Retained earnings and dividend policy

The Corporation's Articles of Incorporation state that any earnings received by the Corporation in the fiscal year shall be used to pay taxes and offset accumulated deficits first; have 10% thereof set aside as legal reserve; and then recognize or reverse the remaining amount as a special reserve as prescribed by law. The board of directors shall draft an earnings distribution proposal for the remaining earnings together with unappropriated earnings

accumulated over the years. The said surplus earnings may be distributed in the form of new shares after a resolution has been adopted by the shareholders' meeting; or in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors and been reported to the shareholders' meeting. With respect to the policy of distributing employees' compensation and board directors' remuneration as prescribed in the Corporation's Articles of Incorporation, please refer to "Employees' Compensation and Board Directors' Remuneration" in Note 21(4).

Considering the Corporation's environment and growth stage, dividends may be distributed in cash or in stock in response to the future demand for funds and long-term financial plan. Among them, the proportion of cash dividends shall not be less than 20% of the dividends distributed to shareholders.

The aforesaid proportion of dividend distribution may be adjusted according to the Corporation's earnings and available funds for the year upon resolution of the shareholders meeting.

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

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

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

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

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

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

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

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

(4) Other equity

Exchange differences on translation of foreign financial statements

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

(5) Treasury shares

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

To transfer shares to employees, the Corporation had, upon resolution of the board of directors on October 8, 2018, bought back 258 thousand shares between October 9, 2018 and December 8, 2018 at a price of NT\$11,246 thousand. In August 2021, amendments to the Corporation's Articles of Incorporation were made upon resolution at the shareholders' meeting, changing the par value from NT\$10 to NT\$5. The relevant conversion was completed in October 2021, resulting in an increase in the number of treasury shares bought back to 516 thousand. On February 25, 2022, the Corporation's board of directors resolved to redeem the said 516 thousand treasury shares and relevant amendment registration has already been completed.

According to Securities and Exchange Act, the number of shares bought may not exceed ten percent of the total number of issued and outstanding shares of the Corporation. The total amount of the shares bought back may not exceed the amount of retained earnings plus premium on capital stock plus realized capital surplus. The shares bought back by the Corporation for having them transferred to employees shall be transferred within 3 years

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

19. Revenue

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

(1) Descriptions of contracts with customers

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

(2) Contract balance

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

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

Contract liabilities that incurred at the beginning of the year and recognized as revenue in the year is as follows:

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

20. Net Profit

(1) Other Revenue

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

(2) Depreciation and amortization

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

Depreciation expense by function

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

Amortization expense by function

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

(3) Employee benefit expense

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

(4) Employees' compensation and board directors' remuneration

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

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

Accrual rate

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

Amount

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

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

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

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

(5) Exchange difference recognized in profit or loss

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

21. Income Taxes

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

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

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

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

(2) Deferred income tax assets and liabilities

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

2022

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

2021

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

(3) Income tax assessment

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

22. Earnings Per Share

Unit: NT\$ per share

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

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

Net Profit for the year

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

Number of shares

Unit: 1,000 shares

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

Since the Corporation can offer to settle the bonuses to employees in cash or shares, the Corporation assumes that the entire amount of bonus would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at the meeting in the following year.

23. Share-based Payment Arrangements

(1) Employee share option plan

Grant date	December 23, 2022	April 29, 2022	March 12, 2021	September 26, 2020	December 20, 2019	April 26, 2019	November 9, 2018	January 25, 2017	
Approval date by board of directors	August 30, 2022	July 30, 2021	August 7, 2020	August 7, 2020	April 26, 2019	August 8, 2018	August 8, 2018	November 3, 2016	
Grant unit	426,330	267,000	69,430	319,000	750,000	8,000	692,000	680,000	
Exercise price (NT\$) (Notes 1 and 2)	170	251	781	333.5	83.7	43.85	44.8	81.70	
Share per unit (Note 2)	1 ordinary share								
Granted to	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	
Vesting conditions (Note 3)	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 40% 3 years 30% 4 years 30%
Life/duration (year)	10	10	10	10	10	10	10	10	

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

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

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

Information relating to issued employee share options is as follows:

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

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

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

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

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

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

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

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

24. Capital Risk Management

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

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

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

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

25. Financial Instruments

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

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

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

A. Fair value hierarchy

December 31, 2022

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

December 31, 2021

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

B. Level 3 Reconciliation- Financial Liabilities at FVTPL.

2022

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

2021

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

C. Level 3 fair value measurements and inputs

Classification of financial instruments	Valuation techniques and inputs
Domestic and foreign unlisted (non-OTC) stocks	<p>3. Adopted the market approach, where the valuation of companies similar to the investee and investee's recent financing activities are used to measure the fair value thereof.</p> <p>4. Adopted the asset approach, where the total market value of investee's individual assets and individual liabilities are considered when measuring the fair value thereof.</p>

(3) Classification of financial instruments

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

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

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

(4) Financial risk management objectives and policies

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

A. Market risks

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

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

a. Currency risk

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

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

Sensitivity analysis

The Corporation is mainly exposed to the US dollar.

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

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

(a) The above profit or loss is mainly associated with demand deposits, accounts receivable, other receivable, accounts payable and other payables calculated in U.S. dollar, which are outstanding and not being hedged against cash flows risk at balance sheet date.

b. Interest rate risk

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

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

Sensitivity analysis

The sensitivity analysis was determined on the basis of the Corporation's exposure to interest rate changes for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of assets and liabilities outstanding during the reporting period had been outstanding for the whole year. Had interest rates been fifty basis points higher and all other variables were held constant, the Corporation's pretax

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

c. Other price risks

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

Sensitivity Analysis

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

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

B. Credit risk

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

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

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

C. Liquidity risk

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

has maintained a level of cash and cash equivalents deemed adequate to finance its operations. The Corporation also adopted a series of control measures with respect to change in cash flow, net cash balance and major capital expenditure in order to know its available line of credit and to ensure its compliance with loan contract terms.

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

a. Table of liquidity and interest rate risks

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

December 31, 2022

	weighted average effective interest rate (%)	On demand or less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years
<u>Non-derivative</u>					
<u>Financial</u>					
<u>liabilities</u>					
Non-interest bearing current liability	-	\$ 186,120	\$ 67,888	\$ -	\$ -
Lease liabilities	1.83%	<u>12,530</u>	<u>38,888</u>	<u>5,683</u>	<u>-</u>
		<u>\$ 198,650</u>	<u>\$ 106,776</u>	<u>\$ 5,683</u>	<u>\$ -</u>

December 31, 2021

	weighted average effective interest rate (%)	On demand or less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years
<u>Non-derivative</u>					
<u>Financial</u>					
<u>liabilities</u>					
Non-interest bearing current liability	-	\$ 765,806	\$ 1,950	\$ -	\$ -
Lease liabilities	1.83	<u>12,527</u>	<u>29,635</u>	<u>51,171</u>	<u>-</u>
		<u>\$ 778,333</u>	<u>\$ 31,585</u>	<u>\$ 51,171</u>	<u>\$ -</u>

b. Line of credit

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

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

26. Related-Party Disclosures

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

(1) Related parties and their relationships with the Corporation

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

(2) Operating revenue

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

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

(3) Accounts receivable from related parties

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

(4) Other payables from related parties

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

(5) R&D and design commission fee

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

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

(6) Other expenses (2021: None)

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

(7) Salaries and bonuses of key management personnel

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

The remuneration of board directors and salaries of other key management personnel are decided by Remuneration and Compensation Committee based on individual performance and market trends.

27. Pledged Assets

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

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

28. Liabilities and Unrecognized Contractual Commitments with Significance

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

Significant Commitments

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

29. Foreign Currency Assets and Liabilities with Significance

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

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

December 31, 2022

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

December 31, 2021

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

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

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

30. Additional Disclosures

- (1) Information on significant transactions and (2) Information on reinvestments:
- A. Financing provided to others: None.
 - B. Endorsement and guarantee for others: None.
 - C. Marketable securities held at the end of the year (investments in subsidiaries are excluded): Please refer to Appendix 1.
 - D. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.
 - E. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.
 - F. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.
 - G. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please refer to the table of Appendix 2.
 - H. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
 - I. Information about the derivative financial instrument transaction: None.
 - J. Information of investees: Please refer to Appendix 3.
- (3) Information on investments in Mainland China:
- A. The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, ending balance, amount received as dividends from the investee, and the limitation on investees: Please refer to Appendix 4.
 - B. Significant direct or indirect transactions with the investee, its prices and terms of payment and unrealized gain or loss:
 - a. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
 - b. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Note 26.
 - c. The amount of property transactions and the amount of the resultant gains or losses: None.
 - d. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
 - e. The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.

- f. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: Please refer to Note 26.
- (4) Information about major shareholders: The name, number of shares and stake held by shareholders with a stake of 5%: Please refer to Appendix 5.

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

Appendix 1

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

Held company	Type and name of marketable securities	Relationship with the issuer of securities	Account	At the end of the year (period)				Remarks
				Number of shares/ units	Carrying value	Percentage of ownership (%)	Fair value	
AP Memory Technology Corporation	Equity investments in listed (OTC) stocks							
	Powerchip Semiconductor Manufacturing Corp.	—	Current financial assets at fair value through profit or loss-Non-current	168,560	\$ 5,368	0.004%	\$ 5,368	
	Equity investments in unlisted (non-OTC) stocks							
	Haining Changmeng Technology Partnership Enterprise (Limited Partnership)	—	Current financial assets at fair value through profit or loss-Non-current	-	248,619	24.64%	248,619	
	GeneASIC Technologies Corporation	—	Current financial assets at fair value through profit or loss-Non-current	500,000	2,020	14.46%	2,020	

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

AP Memory Technology Corporation
Total Purchases from or Sales to Related Parties of at Least NT\$100 million or 20% of the Paid-in Capital
For the year ended December 31, 2022

Appendix 2

(In Thousands of New Taiwan Dollars
Unless Otherwise Specified)

Company name	Related party	Nature of relationship	Transaction details				Abnormal transactions (Note 1)		Notes/ accounts payable or receivable		Remarks
			Purchase/sale	Amount	% to total	Payment terms	Unit price	Payment terms	Balance	% to total	
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	Sub-subsiary	Sale	(\$ 1,186,019)	(23.22%)	OA 30 days	\$ -	—	\$ 97,601	15.28%	Note 2
AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	Subsidiary	Sale	(175,086)	(3.43%)	OA 30 days	-	—	23,181	3.63%	Note 2

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

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

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

Appendix 3

(In Thousands of New Taiwan Dollars
Unless Otherwise Specified)

Investor	Investee	Location	Main business activities	Original investment amount		Balance at the end of the year			Net income of the investee (Note 2)	Investment profit or loss recognized in the year (Note 2)	Remarks
				At the end of the year	At the end of last year	Number of shares	% of ownership	Carrying amount (Notes 1 and 3)			
AP Memory Technology Corporation	AP Memory Corp, USA	Suite 251, BG Plaza, 3800 S.W. Cedar Hills Blvd, Beaverton OR. 97005, USA	IC research and development services	\$ 60,521 (USD 2,000,000)	\$ 60,521 (USD 2,000,000)	2,000,000	100%	\$ 34,386	(\$ 5,453) (USD 182,971)	(\$ 5,453)	Subsidiary
	Zentel Electronics Corp.	10F-1, No. 1, Taiyuan 1st St., Zhubei City, Hsinchu County	IC research, development and sales	-	306,798	-	-	-	1,948	1,948	Subsidiary (Note 4)
	Lyontek Inc.	No. 17, Industry East 2nd Road, East District, Hsinchu City	IC design and sales	75,060	75,060	3,600,000	30%	88,690	42,424	12,727	Associate
	APware Technology Corp.	Suite 102, Cannon Place, North Sound Rd., George Town, Grand Cayman, Cayman Islands	IC design, development and sales	-	-	-	100%	-	-	-	Subsidiary (Note 3)
	ONECENT TECHNOLOGY LTD.	4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands	RFID system design, development and sales	33,771 (USD 1,128,000)	-	3,600,000	48%	26,301	(34,247) (USD 1,149,037)	(6,763)	Associate
	VIVR Corporation	Suite W 100 North Howard Street, Spokane Washington, 99201, US	IC design, development and sales	32,140 (USD 1,000,000)	-	1,000,000	100%	30,659	(49) (USD 1,660)	(49)	Subsidiary
	CascadeTeq Inc	8F-5, No. 1, Taiyuan 1st Street, Zhubei City, Hsinchu County	Sale of ICs	5,000	-	500,000	100%	5,001	1	1	Subsidiary
AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited	Rm.19C, Lockhart Ctr., 301-307 Lockhart Rd., Wan Chai, Hong Kong.	Sale of ICs	275 (USD 10,000)	275 (USD 10,000)	10,000	100%	16,626	10,346	10,346	Subsidiary

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

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

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

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

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

Appendix 4

(In Thousands of New Taiwan Dollars
Unless Otherwise Specified)

Investee	Main business activities	Paid-in capital (Note 1)	Investment method	Accumulated investment outflow from Taiwan at the beginning of the year	Investment flows		Accumulated investment outflow from Taiwan at the end of the year (Note 1)	Net income of the investee (Note 3)	The Corporation's direct or indirect shareholding	Investment profit or loss recognized in the year (Notes 3 and 5)	Carry amount of the investment at the end of the year (Notes 4 and 5)	Inward investment benefits at the end of the year
					Outflow	Inflow						
AP Memory Technology (Hangzhou) Limited Co.	IC design, development and sale	\$ 58,009 (USD 2,000,000)	Note 2	\$ 58,009 (USD 2,000,000)	\$ -	\$ -	\$ 58,009 (USD 2,000,000)	\$ 16,832 (RMB 3,806,472)	100%	\$ 16,832	\$ 155,892	\$ -

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

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

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

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

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

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

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

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

Appendix 5

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

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

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

§THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS§

I	T	E	M	<u>STATEMENT INDEX</u>
Major Accounting Items in Assets, Liabilities and Equity				
				1
				Note 8
				2
				Note 9
				3
				Note 15
				4
				Note 12
				Note 14
				5
				Note 21
				Note 15
				6
				Notes 16 and 26
				Note 16
				Note 21
Major Accounting Items in Profit or Loss				
				7
				8
				9
				10
				11

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

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

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

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

Statement 2

(In Thousands of New Taiwan Dollars)

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

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

AP Memory Technology Corporation
Statement of Inventory
December 31, 2022

Statement 3 (In Thousands of New Taiwan Dollars)

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

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

Statement 4

(In Thousands of New Taiwan Dollars)

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

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

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

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

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

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

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

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

AP Memory Technology Corporation

Statement of Refundable Deposits

December 31, 2022

Statement 5

(In Thousands of New Taiwan Dollars)

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

AP Memory Technology Corporation

Statement of Accounts Payable

December 31, 2022

Statement 6

(In Thousands of New Taiwan Dollars)

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

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

AP Memory Technology Corporation

Statement of Net Revenue

For the year ended December 31, 2022

Statement 7

(In Thousands of New Taiwan Dollars)

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

AP Memory Technology Corporation

Statement of Operating Costs

For the year ended December 31, 2022

Statement 8

(In Thousands of New Taiwan Dollars)

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

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

Statement 9

(In Thousands of New Taiwan Dollars)

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

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

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

Statement 10

(In Thousands of New Taiwan Dollars)

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

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

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

Statement 11

(In Thousands of New Taiwan Dollars)

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

Notes:

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