



# **AP Memory Technology Corporation**

## **Annual Report 2020**

### **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/investors/shareholder-service/>**

**Printed on May 7<sup>th</sup>, 2021**

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

**by which to access information on said offshore securities:** None

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

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## I Letter to Shareholders

Dear Shareholders,

AP Memory earned NT\$ 811,710 thousand (NT\$ 11.00 per share) in net income in 2020. Excluding the gains from Zentel Japan transaction, our net income was NT\$ 465,377 thousand (NT\$ 6.31 per share). Compared to the loss of NT\$ 395,065 thousand (NT\$ 5.33 per share) in 2019, the company has achieved a major turnaround in financial performance.

	2020 (A)	2019 (B)	ΔAMT (C=A-B)	Δ% (C/B)
Revenue	3,549,497	3,416,669	132,828	4%
Gross Profit	1,025,671	480,641	545,030	113%
Gross Profit Margin (%)	29%	14%	15%	105%
Operating Expenses	505,925	487,984	17,941	4%
Operating Expenses Rate (%)	14%	14%	( 0% )	( 0% )
Operating Income (Loss)	519,746	( 7,343 )	527,089	7,178%
Non-Operating P/L	420,609	( 347,014 )	767,623	221%
Net Income (Loss) before Tax	940,355	( 354,357 )	1,294,712	365%
Income (Loss) from Continuing Operation	815,370	( 322,973 )	1,138,343	352%
Income (Loss) from Discontinued Operation	5,613	( 72,092 )	77,705	108%
Net Income (Loss)	820,983	( 395,065 )	1,216,048	308%
Net Income (Loss) Attributable to Parent Company	811,710	( 395,065 )	1,206,775	305%

Our balance sheet has also seen great improvement over 2019. Cash position is up substantially, and inventory is back to normal level.

	2020 (D)	2019 (E)	ΔAMT (F=D-E)	Δ% (F/E)
Cash and Cash Equivalents	662,967	584,264	78,703	13%
Financial Assets at FVTPL-Current	930,536	30,003	900,533	3,001%
Inventories	625,055	1,130,802	( 505,747 )	( 45% )

### ■ Business Refocusing

Prior to 2017, our business focused almost exclusively on pseudo-SRAM products customized for feature phone market. We had tier-one customers, built-to-order business flow, a gross margin of 35-40%, and consequently very low business risk. However, we were faced with a shrinking feature phone market and risk of becoming irrelevant. We started an effort to expand our business to growing applications such as wearable devices, smart audio, smart video, MCU, LTE modem, Wi-Fi, etc. These applications are generally referred to as Internet of Things (IoT).

In 2017, we acquired and integrated Zentel Electronics, which added specialty DRAM business to our product portfolio. The acquisition greatly expanded our R&D capabilities and product portfolio. However, specialty DRAM business is fundamentally a commodity-like business, where both cost and price are sensitive to general DRAM market condition. When the DRAM market turned in late 2018, we suffered significant losses due to high inventory level. As a result, we suffered a net loss in 2019, even excluding one-time charges related to a customer quality event.

In the meantime, our efforts in expanding IoT business have started to come to fruition. We have also seen good potential in our AI Memory IP offering. In 2019, we made a decision to reduce, and eventually eliminate our reliance on our standard DRAM business. In 2020, we formally launched

IoT and AI business units, respectively focused on IP-rich IoT memory and AI memory IP licensing. As of the end of 2020, we have almost completely got out of standard DRAM business. The growth of our IoT and AI revenues has almost made up for the revenue reduction in standard DRAM. We also successfully sold 100% of our shares in Zentel Japan Corp. in 2020, adding US\$28.8M to our cash balance sheet.

## ■ Margin Improvement

The business refocusing has dramatically improved the quality of our revenue. Our quarterly gross margin rate has improved from 15% in Q4'19 to 40% in Q4'20. This improvement is the result of (1) reduction in low-margin standard DRAM business, (2) contribution from IP licensing, (3) improvement pricing in IoT memory products. Looking forward we expect our gross and net margin rate to be stable with a gradual up trend while maintaining a stable expense ratio.

	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4
Gross Margin (%)	16%	16%	26%	33%	39%
Net Margin (%)	5%	5%	9%	15%	56%

## ■ IoT Business Unit

Our IoT business unit provides compelling customized memory solutions to our customers. Once we have identified a compelling solution for a target application, we typically spend two to three years to complete spec-in, design-in, and validation, to achieve volume production with a lead customer. The follow-on customers of the same application can usually achieve volume production with much shorter time. Lifetimes of our products typically exceed ten years. Over time, we have a growing product portfolio and a growing revenue stream.

Our IoT product line now includes IoT memory devices with features such as ultra-low-power, ultra-high-speed, ultra-low-swing, to address specific needs of customer applications. With our growing base of design-ins, our IoT memory is becoming an industry standard for high quality and high value-added memory.

## ■ AI Business Unit

Our AI business unit provides licensing of high bandwidth memory solutions. Memory bandwidth is the biggest performance bottleneck for any AI computation. We were the first to propose direct wafer-on-wafer stacking of DRAM and logic to achieve memory bandwidths 10-100X above HBM. We drive our revenue generally in two steps: license fee in design-in phase, and wafer sales revenue and/or royalty in production phase.

Our VHM<sup>®</sup> (Very High-Bandwidth Memory) has been designed into a number of customer projects. These design-ins have validated our initial idea. We expect adoption of our AI memory solution to gradually ramp up. The spec-in to production cycle time ranges from one to five years.

## ■ Business Environment and 2021 Outlook

Worldwide demand for semiconductor has exceeded supply in second half of 2020. This supply shortage has impacted our foundry supply. While we have mostly been able to secure our wafer supply, wafer prices have increased substantially. We have so far been able to manage the volatility in wafer prices. Further tightening of capacity may impact our revenue growth and gross margin rate. Our underlying businesses are strong. Our products are competitive and our markets are growing. But most importantly, in both of business units, we are building entry barriers for competitors. We strive to firmly position ourselves to be number one in each of our niche markets. In 2021, we will make strides in that direction.

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

Chairman and President: Chen, Wen-Liang

AI BU Vice President: Liu, Jun-Hong

IoT BU Vice 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

<b>2011</b>		
<b>August</b>		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.
<b>December</b>		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.
<b>2012</b>		
<b>March</b>		The Board of Directors passed the resolution to establish AP Memory Corp., USA, a 100% subsidiary, for USD250 thousand.
<b>May</b>		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.
<b>2015</b>		
<b>April</b>		The registration of public issuance became effective.
<b>June</b>		Over-the-counter trading on the Taipei Exchange was approved by the Taipei Exchange.
<b>July</b>		AP Memory Holding Co., Ltd, a 100% subsidiary, was established in the Republic of Seychelles.
<b>October</b>		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.
<b>October</b>		AP Memory Electronics (Beijing) Co., Ltd. was established through AP MEMORY HOLDING Co., Ltd.
<b>2016</b>		
<b>February</b>		The listing application was approved by the Taiwan Stock Exchange Committee.
<b>May</b>		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.
<b>May</b>		AP Memory was officially listed and traded on the Taiwan Stock Exchange.

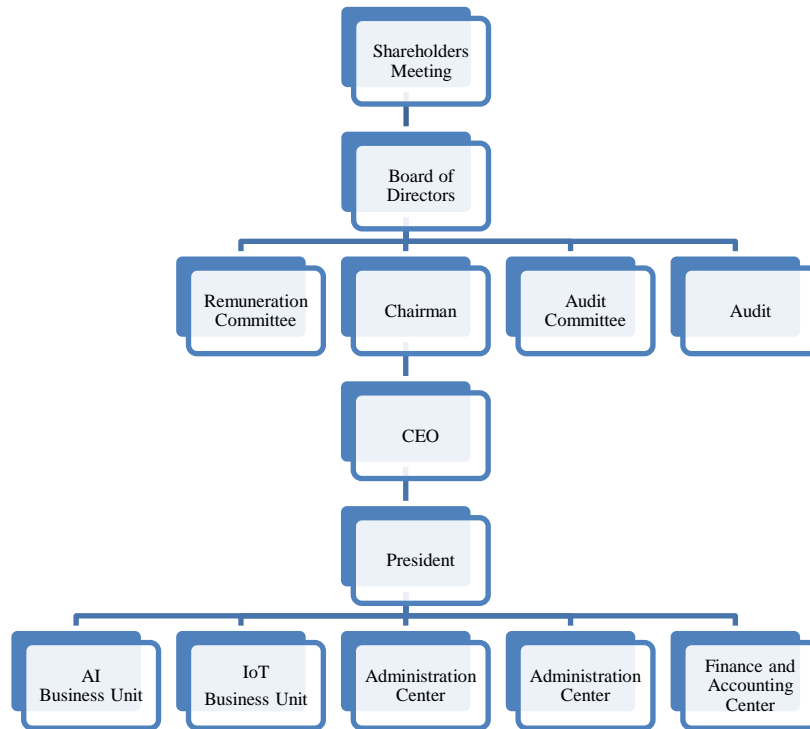


	<b>September</b>	To integrate resources and bring economies of scale into play, with the approval of the Board of Directors, the public acquisition of Zentel Electronics Corporation (3553.TW, hereinafter referred to as “Zentel”) commenced on September 6, 2016 and ended on October 25, 2016.
	<b>November</b>	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.
<b>2017</b>		
	<b>June</b>	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.
	<b>October</b>	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.
<b>2018</b>		
	<b>June</b>	In accordance with the Group’s operation plan, AP Memory Technology (Hangzhou) Corporation was established in Hangzhou, China.
	<b>October</b>	Repurchase of treasury shares amounting to 258,000 shares for transfer to employees.
<b>2019</b>		
	<b>May</b>	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.
	<b>August</b>	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.
	<b>October</b>	In accordance with the Group’s operation plan, AP Memory Technology (Hong Kong) Co. Limited was established in Hong Kong.
	<b>December</b>	In order to raise strategic investment funds, the Board of Directors resolved to sell 24% of its shares in Zentel Japan Corp.
<b>2021</b>		
	<b>March</b>	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.
	<b>June</b>	AP Memory reelected its directors for the fourth term at the general meeting of shareholder’s
	<b>September</b>	In accordance with the Group’s operation plan, AP Memory sold remaining equity shares of its shares in Zentel Japan Corp.

### III Corporate Governance Report

#### 1. Organization System

##### (1) Organization Structure



##### (2) Business operated by each major department

Department	Functions and Duties
CEO	<ul style="list-style-type: none"> <li>Development and implementation of AP Memory's mid-term and long-term business strategy.</li> </ul>
President	<ul style="list-style-type: none"> <li>Responsible for the overall operational planning and implementation of AP Memory.</li> <li>Establishment, supervision, and management of the operation and system of each department.</li> </ul>
AI Business Unit	<ul style="list-style-type: none"> <li>Managing AI application memory products' market development, industry trend analysis, market information collection, competitor information survey.</li> <li>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.</li> </ul>
IoT Business Unit	<ul style="list-style-type: none"> <li>Managing IoT application related memory and peripheral products' market development, industry trend analysis, market information collection, competitor information survey, etc.</li> <li>Program development, circuit, logic, software design for new product projects and product testing; and providing technical and production support services to customers, as well as project development schedule and verification management.</li> <li>Production raw material procurement, product outsourcing management, implementation of production management and raw material inventory control, process planning and implementation, product yield improvement.</li> <li>Product quality inspection, reliability engineering, customer complaints handling, RMA analysis and response.</li> </ul>
R&D Center	<ul style="list-style-type: none"> <li>Design, research and development of new products</li> </ul>
Administration Center	<ul style="list-style-type: none"> <li>Responsible for AP Memory's human resources planning, general procurement, general affairs, fixed assets management.</li> <li>Evaluation, planning, maintenance, implementation, and information security management of information software and hardware systems.</li> <li>Planning, inspection, supervision, control and implementation of quality management system.</li> </ul>
Finance and Accounting Center	<ul style="list-style-type: none"> <li>Financial planning, capital management, scheduling and budgeting operations planning, accounting processing operations, settlement, establishment and implementation of tax system, investment planning, stock operations and investor relationship maintenance, etc.</li> </ul>
Audit	<ul style="list-style-type: none"> <li>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.</li> </ul>

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

### (1) Directors, Supervisors

#### A. Information of Directors

May 7, 2021; Unit: Share

Title	Nationality or Place of Registration	Name	Gender	Elected Date	Term	First Elected Date	Shares held at the time of election		Number of Shares now held		Shares now held by spouse and minor children		Shares held in the name of others		Main Work (Education) Experience	Positions concurrently held in the Company and other companies	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	USA	Chen, Wen-Liang	Male	March 4, 2021	Three years	June 15, 2020	—	—	—	—	—	—	—	—	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, President and CTO of AP Memory Technology Corporation Director of Lyontek Inc. Director of A I Memory Corporation Director of ATO Solution Co., Ltd. Director of Trinity Silicon Solution Inc. Director of Zentel Japan Corp.	N/A	N/A	N/A
Director	Taiwan	Shanyi Investment Co., Ltd	Male	June 15, 2020	Three years	June 4, 2014	13,258,334	17.93%	13,228,334	17.79%	—	—	—	—	—	—	N/A	N/A	N/A
	Taiwan	Representative: Liu, Jing-Hong					—	—	210,856	0.28%	—	—	—	—	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	Vice President of AP Memory Technology Corporation	N/A	N/A	N/A
Director	Taiwan	Shanyi Investment Co., Ltd	Male	June 15, 2020	Three years	June 4, 2014	13,258,334	17.93%	13,228,334	17.79%	—	—	—	—	—	—	N/A	N/A	N/A
	Taiwan	Representative: Hung, Chih-Hsun (Remark 1)					—	—	—	—	—	—	—	—	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	Vice President of AP Memory Technology Corporation Director of AP Memory Technology (Hangzhou) Co. Limited Director of AP Memory Technology (Hong Kong) Co. Limited	N/A	N/A	N/A
Director	Taiwan	Li Shun Investment Co.	Male	June 15, 2020	Three years	June 4, 2014	63,927	0.09%	63,927	0.09%	—	—	—	—	—	—	N/A	N/A	N/A
	Taiwan	Representative: Hsieh, Ming-Lin					—	—	—	—	—	—	10,676 (Remark3)	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's in Business Administration, National Taiwan University	Director of Quantum Vision Corp ; Director of Liksei Venture Capital Co. ; Director of Syntrox Corporation ; Director of Teknowledge Development Corp. ; Director of LiHsin Investment Corp. Supervisor of Powergate Optical, Inc. ; Supervisor of Liyu Venture Capital Co. ; Supervisor of Retronix Technology Inc. ; Chairman of Li Shun Investment Co. ; Chairman of Treasure Fort Investments Ltd., British Virgin Islands ; Director of Lontium Semiconductor Corporation Holding Limited ; Director of AI Medical Technology Corporation ; Supervisor of A I Memory Corporation ; Director of Powerchip Semiconductor Manufacturing Corporation ; Director of Fu Shuo Investment Co. ; Independent Director of Icatch Technology, Inc. ; Vice President of Powerchip Semiconductor Manufacturing Corporation	N/A	N/A	N/A

Title	Nationality or Place of Registration	Name	Gender	Elected Date	Term	First Elected Date	Shares held at the time of election		Number of Shares now held		Shares now held by spouse and minor children		Shares held in the name of others		Main Work (Education) Experience	Positions concurrently held in the Company and other companies	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, Shu (Remark 2)	Male	June 15, 2020	Three years	June 23, 2015	—	—	—	—	—	—	—	—	Independent Director/Executive Vice President of Chunghwa Telecom Co., Ltd. Supervisor of Elite Advanced Laser Corporation Independent Director of Nova Technology Corp. Ph.D., UCLA	Professor, Department of Accounting, National Taiwan University Independent Director of Lung Yen Life Service Corporation Independent Director of GEM Services, Inc.	N/A	N/A	N/A
Independent Director	Taiwan	Yeh, Rui-Bin	Male	June 15, 2020	Three 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	N/A	N/A	N/A	
Independent Director	Taiwan	Chen, Tze-Chiang	Male	June 15, 2020	Three years	June 11, 2018	—	—	—	—	—	—	—	—	Director of Semiconductor Research Company Member of the Institute of Electrical and Electronics Engineers Member of Strategy and Technology Committee, Taiwan Semiconductor Industry Association Member of Steering Committee, Institute of NanoScience Ph.D. in Electrical Engineering, Yale University, USA	Vice President, Technology Research Center, IBM IBM Member Independent Director of eMemory Technology Inc.	N/A	N/A	N/A

Remark 1: Submitted his resignation on March 12, 2021 to be effective on June 16, 2021.

Remark 2: Submitted his resignation on April 1, 2021 to be effective on May 31, 2021

Remark 3: Holding 10,676 shares through Treasure Fort Investments Ltd.

Remark 4: The number of stock shares in this table is based on the insider shareholding report as of April 2021.

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. Professional knowledge and independence of directors

Name	Qualifications	Have more than 5 years of work experience and the following professional qualifications			Independence (Remark 2)												Number of other public companies at which concurrently serving as Independent Director
		Lecturer or higher in a department of business, law, finance, accounting or other academic department related to corporate business of the Company in a public or private junior college, college or university	Judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for corporate business of the Company	Have work experience in the area of business, law, finance, or accounting, or otherwise necessary for the corporate business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Chairman Chen, Wen-Liang			✓				✓		✓	✓		✓	✓	✓	✓	✓	0
Director Shanyi Investment Co., Ltd Representative: Liu, Jing-Hong			✓			✓	✓			✓	✓	✓	✓	✓	✓	✓	0
Director Shanyi Investment Co., Ltd Representative: Hung, Chih-Hsun			✓				✓			✓	✓	✓	✓	✓	✓	✓	0
Director Li Shun Investment Co. Representative: Hsieh, Ming-Lin			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Independent Director Yeh, Shu	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Independent Director Yeh, Rui-Bin			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director Chen, Tze-Chiang			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Remark: If each director or supervisor meets the following conditions in the two years prior to his/her election and during his/her tenure, he/she shall tick the box below each condition.

- (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 (provided, this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at the company, its parent or subsidiary or a subsidiary of the same parent company.)
- (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 1% or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- (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 subparagraphs (2), (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or that ranks among the top 5 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 Act (provided, this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at the company, its parent or subsidiary or a subsidiary of the same parent company.)
- (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 (provided, this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at the company, its parent or subsidiary or a subsidiary of the same parent company.)
- (7) If the chairperson, 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 spouse: Not a director (or governor), supervisor, or employee of that other company (provided, this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at the company, its parent or subsidiary or a subsidiary of the same parent company.)
- (8) Not a director (or governor), supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company (provided, this restriction does not apply to a specific company or institution holds more than 20% but not more than 50% of the total issued shares of the company, and independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at the company, its parent or subsidiary or a subsidiary of the same parent 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 NTD500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not related to any other director as spouse or relative within the second degree kinship.
- (11) There is no one of the subsections of Article 30 of the Company Act.
- (12) The elected person is not a government, legal person or their representative according to Article 27 of the Company Act.

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

May 7, 2021; Unit: Share

Title	Nationality	Name	Gender	Inauguration date	Shareholdings		Shares now held by spouse and minor children		Shares held in the name of others		Main Work (Education) Experience	Positions concurrently held in the Company and other companies	Officers with a spouse or second degree of relationship		
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship
CEO, President and CTO	USA	Chen, Wen-Liang	Male	September 1, 2016	—	—	—	—	—	—	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	Corporate Director Representative of Lyontek Inc. Director of A I Memory Corporation Director of ATO Solution Co., Ltd. Director of Trinity Silicon Solution Inc. Director of Zentel Japan Corp.	N/A	N/A	N/A
Senior Vice President	Taiwan	Lin, Han-Chih	Male	September 27, 2011	198,304	0.27%	2,025	0.00%	—	—	Manager of PSRAM Product OEM Department, Cypress Semiconductor Corporation, USA Manager of NOR FLASH Process Development, Chingis Technology Corporation Section Manager of DRAM Process Development, ProMOS Technologies Inc. Engineer of DRAM Process Development, Nanya Technology Corporation Ph.D. in Electro-Optical Engineering, National Yang Ming Chiao Tung University	Corporate Director Representative of Zentel Electronics Corporation Supervisor of GeneASIC Technologies Corporation	N/A	N/A	N/A
Vice President	Taiwan	Liu, Jing-Hong	Male	August 19, 2019	210,856	0.28%	—	—	—	—	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
Vice President	Taiwan	Hung, Chih-Hsun	Male	March 20, 2019	—	—	—	—	—	—	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	Corporate Director Representative of AP Memory Technology (Hangzhou) Corp. Director of AP Memory Technology (Hong Kong) Co. Limited	N/A	N/A	N/A
Assistant Vice President	Taiwan	Lin, Yu-Hsin	Female	May 4, 2020	138,718	0.19%	—	—	—	—	Financial Manager of Alcor Micro, Corporation Sales Junior Manager of Yuanta Core Pacific Securities Co., Ltd. Auditor of Deloitte Touche Tohmatsu Limited Master's in Accounting, National Chengchi University	Supervisor of Zentel Japan Corp.	N/A	N/A	N/A
Accounting and Finance Supervisor	Taiwan	Hung, Mao-Chuan	Male	May 4, 2020	—	—	—	—	—	—	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	—	—	—	—	—	—	Deputy Manager of Rotam Global AgroSciences Limited Auditor of Ernst & Young Bachelor, Accounting, Soochow University	N/A	N/A	N/A	N/A

Remark: The number of stock shares in this table is based on the insider shareholding report as of April 2021.

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

The Chairman of the Company was Mr. Tsai Kuo-Chi, who resigned on March 3, 2021 due to his personal business. The Board of Directors of the Company held a meeting on the same day. Under the consideration of operating efficiency and decision-making ability, the President, Mr. Chen Wen-Liang, was elected by all the directors to take over the position of the Chairman of the Company. Mr. Chen Wen-Liang also holds the President position to improve the management efficiency and decision-making and execution ability, and the Company is planning to train suitable candidates. The Chairman also keeps close communication with the Directors about the Company's operational status and plans to implement corporate governance. The Board of Directors fully respects the suggestions put forward by the Independent Directors in the functional committees and the Board of Directors to implement corporate governance. The Company will also elect two independent directors in this year's shareholders' meeting. Among the seven directors of the Board of Directors are originally three independent directors, which will be increased to four after the by-election, so as to meet the requirements of the corresponding corporate governance standards.

### 3. Remuneration paid to the Directors, President, and Vice President in the most recent year (2020)

#### (1) Remuneration of the Directors (including the Independent Directors)

Fiscal year of 2020; Unit: In thousands of NTD; 1,000 shares; %

Title	Name	Director's Remuneration								Proportion of the total amount of Items A, B, C and D in net profit after tax		Relevant Remuneration received as Employee								Proportion of the total amount of Items A, B, C, D, E, F and G in net profit after tax		Remuneration received from an investment transferred from a subsidiary or parent company
		Remuneration (A)		Severance Pay/Retirement Pension (B)		Director's Remuneration (C) (Remark 6)		Business Execution Cost (D)				Salary, Bonus, and Special Disbursement, etc. (E)		Severance Pay/Retirement Pension (F)		Employee Remuneration(G)						
		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	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			
Chairman (Remark 1,3)	Chen, We-Liang	-	-	-	-	471	471	-	-	0.06%	0.06%	6,165	6,165	-	-	631	-	631	-	0.90%	0.90%	-
Director (Remark 2)	Shanyi Investment Co., Ltd Representative: Chen, Wen-Liang	-	-	-	-	941	941	-	-	0.12%	0.12%	6,165	6,165	-	-	631	-	631	-	0.95%	0.95%	-
Director (Remark 2)	Yu Hui Investment Co. Representative: Gu, Jun	-	-	-	-	941	941	-	-	0.12%	0.12%	2,611	2,611	45	45	-	-	-	-	0.44%	0.44%	-
Director (Remark 4)	Shanyi Investment Co., Ltd Representative: Tsai, Kuo-Chi	-	-	-	-	2,824	2,824	8	8	0.35%	0.35%	-	-	-	-	-	-	-	-	0.35%	0.35%	-
Director (Remark 1,5)	Shanyi Investment Co., Ltd Representative: Gu, Jun	-	-	-	-	-	-	-	-	-	-	2,611	2,611	45	45	-	-	-	-	0.33%	0.33%	-
Director (Remark 5)	Shanyi Investment Co., Ltd Representative: Liu, Jing-Hong	-	-	-	-	941	941	-	-	0.12%	0.12%	4,307	4,307	108	108	736	-	746	-	0.75%	0.75%	-
Director	Gold Sense Investments Limited Representative: Hsieh, Ming-Lin	-	-	-	-	1,882	1,882	14	14	0.23%	0.23%	-	-	-	-	-	-	-	-	0.23%	0.23%	-
Independent Director	Yeh, Shu	1,620	1,620	-	-	-	-	10	10	0.20%	0.20%	-	-	-	-	-	-	-	-	0.20%	0.20%	-
Independent Director	Yeh, Rui-Bin	1,440	1,440	-	-	-	-	16	16	0.18%	0.18%	-	-	-	-	-	-	-	-	0.18%	0.18%	-
Independent Director	Chen, Tze-Chiang	1,440	1,440	-	-	-	-	-	-	0.18%	0.18%	-	-	-	-	-	-	-	-	0.18%	0.18%	-

- Please describe the remuneration policy, system, standard and structure of the independent director and describe the correlation with the amount of remuneration according to the responsibilities, risks, time invested and other factors.  
Payment shall be made in accordance with the Company's "Remuneration Policy for Directors and Functional Committee Members", and additional allowance shall be provided to the chairman of the functional committee, who shall also undertake convening, proceeding, communication and coordination with the company authorities, etc.
  - Except disclosed in the table above, remuneration received by a company director in the most recent year for services rendered to all companies listed in the financial statements (e.g., as a consultant, not an employee, etc.): N/A
- Remark 1: Being elected upon director re-election on June 15, 2020  
Remark 2: Retired upon director re-election on June 15, 2020  
Remark 3: Being elected as the Chairman on March 4, 2021  
Remark 4: Resigned as the Chairman on March 4, 2021  
Remark 5: On June 30, 2020, the corporate director representative of Shanyi Investment Co., Ltd, Mr. Gu, Jun was replaced by Mr. Liu, Jing-Hong.  
Remark 6: The estimated remuneration for the directors in 2020 was paid in cash by the resolution of the Board of Directors on March 12, 2021.

Remuneration Range Table

Remuneration Range to each director of the Company	Name of Director			
	Total Amount of Remuneration for the first four items(A+B+C+D)		Total Amount of Remuneration for the first seven items (A+B+C+D+E+F+G)	
	The Company	All Companies listed in the Financial Statements	The Company	All Companies listed in the Financial Statements
Less than 1,000,000	Chen, Wen-Liang ; Representative of Shanyi Investment Co., Ltd: Chen, Wen-Liang ; Representative of Yu Hui Investment Co.: Gu, Jun ; Representative of Shanyi Investment Co., Ltd: Gu, Jun ; Representative of Shanyi Investment Co., Ltd: Liu, Jing-Hong	Chen, Wen-Liang; Representative of Shanyi Investment Co., Ltd: Chen, Wen-Liang; Representative of Yu Hui Investment Co.: Gu, Jun; Representative of Shanyi Investment Co., Ltd: Gu, Jun; Representative of Shanyi Investment Co., Ltd: Liu, Jing-Hong	—	—
1,000,000(inclusive) ~ 2,000,000(exclusive)	Representative of Li Shun Investment Co.: Hsieh, Ming-Lin; Yeh, Shu; Yeh, Rui-Bin; Chen, Tze-Chiang	Representative of Li Shun Investment Co.: Hsieh, Ming-Lin; Yeh, Shu; Yeh, Rui-Bin; Chen, Tze-Chiang	Representative of Li Shun Investment Co.: Hsieh, Ming-Lin; Yeh, Shu; Yeh, Rui-Bin; Chen, Tze-Chiang	Representative of Li Shun Investment Co.: Hsieh, Ming-Lin; Yeh, Shu; Yeh, Rui-Bin; Chen, Tze-Chiang
2,000,000(inclusive)~ 3,500,000(exclusive)	Representative of Shanyi Investment Co., Ltd: Tsai, Kuo-Chi	Representative of Shanyi Investment Co., Ltd: Tsai, Kuo-Chi	Representative of Shanyi Investment Co., Ltd: Tsai, Kuo-Chi'; Representative of Shanyi Investment Co., Ltd: Gu, Jun	Representative of Shanyi Investment Co., Ltd: Tsai, Kuo-Chi ; Representative of Shanyi Investment Co., Ltd: Gu, Jun
3,500,000(inclusive)~ 5,000,000(exclusive)	—	—	Representative of Yu Hui Investment Co.: Gu, Jun	Representative of Yu Hui Investment Co.: Gu, Jun
5,000,000(inclusive)~ 10,000,000(exclusive)	—	—	Chen, Wen-Liang; Representative of Shanyi Investment Co., Ltd: Chen, Wen-Liang; Representative of Shanyi Investment Co., Ltd: Liu, Jing-Hong	Chen, Wen-Liang ; Representative of Shanyi Investment Co., Ltd: Chen, Wen-Liang ; Representative of Shanyi Investment Co., Ltd: Liu, Jing-Hong
10,000,000(inclusive)~ 15,000,000(exclusive)	—	—	—	—
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 10	A total of 10	A total of 10	A total of 10



## (2) Remuneration of the President and Vice Presidents

Fiscal year of 2020; Unit: In thousands of NTD; 1,000 shares; %

Fiscal year of 2020, Unit: in thousands of NT\$, 1,000 shares, %														
Title	Name	Remuneration(A)		Severance Pay/Retirement Pension(B)		Bonus and Special Disbursement, etc. (C)		Amount of Employee Compensation(D) (Remark)				Proportion of the total amount of Items A, B, C, D in net profit after tax(%)		Remuneration 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 President	Chen, Wen-Liang	8,031	8,031	324	324	11,172	11,172	2,891	-	2,891	-	2.76%	2.76%	N/A
Senior Vice President	Lin, Han-Chih													
Vice President	Liu, Jing-Hong													
Vice President	Hung, Chih-Hsun													

Remark: The estimated employee compensation in 2020 was paid in cash by the resolution of the Board of Directors on March 12, 2021.

## Remuneration Range Table

Remuneration 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, Han-Chih	Lin, Han-Chih
5,000,000(inclusive) ~ 10,000,000(exclusive)	Chen, Wen-Liang 、 Hung, Chih-Hsun 、 Liu, Jing-Hong	Chen, Wen-Liang 、 Hung, Chih-Hsun 、 Liu, Jing-Hong
10,000,000(inclusive) ~ 15,000,000(exclusive)	—	—
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

(3) Top 5 Executives with the Highest Remuneration

Fiscal year of 2020; Unit: In thousands of NTD

Title	Name	Remuneration(A)		Severance Pay/Retirement Pension(B)		Bonus and Special Disbursement, etc. (C)		Amount of Employee Compensation(D) (Remark)				Proportion of the total amount of Items A, B, C, D in net profit after tax(%)		Remuneration received from an investment transferred from a subsidiary or the parent company
		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			
President	Chen, Wen-Liang	1,753	1,753	-	-	4,411	4,411	631	-	631	-	0.84%	0.84%	
Vice President	Hung, Chih-Hsun	2,131	2,131	108	108	2,542	2,542	767	-	767	-	0.68%	0.68%	
Vice President	Liu, Jing-Hong	2,047	2,047	108	108	2,261	2,261	737	-	737	-	0.63%	0.63%	
Senior Vice President	Lin, Han-Chih	2,100	2,100	108	108	1,958	1,958	756	-	756	-	0.61%	0.61%	
Business Executive Specialist	Lin, Kuo-Hsiung	1,953	1,953	99	99	2,033	2,033	-	-	-	-	0.50%	0.50%	

Remark: The estimated employee compensation in 2020 was paid in cash by the resolution of the Board of Directors on March 12, 2021.

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

Fiscal year of 2020; Unit: In thousands of NTD

	Title	Name	Amount of Stock	Cash Amount	Total	Proportion of the Total Amount in net profit after tax (%)
Managers	CEO and President	Chen, Wen-Liang	-	3,595	3,595	0.44%
	Senior Vice President	Lin, Han-Chih				
	Vice President	Liu, Jing-Hong				
	Vice President	Hung, Chih-Hsun				
	Assistant Manager	Lin, Yu-Hsin(Remark)				
	Accounting and Finance Supervisor	Hung, Mao-Chuan (Remark)				

Remark: Took office in May, 2020.

- (5) Analysis comparing the proportion of the total amount of remuneration 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 remuneration, and their relevance to business performance and future risks.

A. Analysis of the proportion of the total amount of remuneration 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: In 2019, a huge amount of customer complaint loss was set aside, resulting in a net loss after tax for the whole year. Therefore, the correlation analysis of the total amount of remuneration in net profit after tax is not applicable.

Title	Proportion of the total remuneration in net profit after tax in 2019 (%)		Proportion of the total remuneration in net profit after tax in 2020 (%)	
	The Company	All Companies listed in the Financial Statements	The Company	All Companies listed in the Financial Statements
Directors	It is not applicable because the Company had a net loss after tax in 2018.		4.51%	4.51%
President and Vice Presidents			2.76%	2.76%

B. Policy, standards, and combination, procedures for determining the remuneration, 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 remuneration for employees and directors shall be remuneration for directors. It is also stipulated that the remuneration 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 "Remuneration Policy for Directors and Functional Committee Members" prescribed by the Company, the Independent Directors of the Company receive fixed remuneration and do not participate in the remuneration distribution. The remuneration 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 remuneration shall also be prescribed in accordance with the Articles of Association, relevant personnel regulations and delegation of authority.

For the remuneration 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 remuneration 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 (2020), the Board of Directors held 10 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】 (Remark 1)	Remark
Chairman (Remark 2)	Chen, Wen-Liang	5	0	100.00	Took office on June 15, 2020
Director (Remark 2)	Shanyi Investment Co., Ltd Representative: Tsai, Kuo-Chi	10	0	100.00	
Director	Yu Hui Investment Co. Representative: Gu, Jun	5	0	100.00	Retired on June 15
Director	Shanyi Investment Co., Ltd Representative: Gu, Jun	1	0	100.00	Took office on June 15, 2020
Director	Shanyi Investment Co., Ltd Representative: Liu, Jing-Hong	4	0	100.00	Reassigned the Legal Representative on June 30, 2020
Director	Shanyi Investment Co., Ltd Representative: Chen, Wen-Liang	5	0	100.00	Retired on June 15
Director	Li Shun Investment Co. Representative: Hsieh, Ming-Lin	9	0	90.00	
Independent Director	Yeh, Shu	10	0	100.00	
Independent Director	Yeh, Rui-Bin	10	0	100.00	
Independent Director	Chen, Tze-Chiang	8	1	80.00	
Remark 1: Actual Attendance Rate (%) is calculated based on the number of board meetings and actual attendance during his/her tenure.					
Remark 2: The Representative of Shanyi Investment Co., Ltd, Mr. Tsai, Kuo-Chi, resigned as Chairman of the Board on March 4, 2021 and was succeeded by the Director, Mr. Chen Wen-Liang.					

##### 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
February 4, 2020	3 <sup>rd</sup> Term	22 <sup>nd</sup> Meeting	Change of the accounting supervisor	All Independent Directors had no other opinions and agreed to approve.
April 24, 2020	3 <sup>rd</sup> Term	24 <sup>th</sup> Meeting	Removal of the restrictions on the non-competition of the new directors (including independent directors) and their representatives	
April 30, 2020	3 <sup>rd</sup> Term	25 <sup>th</sup> Meeting	Change of the accounting supervisor	
May 8, 2020	3 <sup>rd</sup> Term	26 <sup>th</sup> Meeting	Establishment of the "Procedures for Lending Funds to Other Parties" on behalf of Zentel Electronics Corporation, the subsidiary of the Company	
			Change of the finance supervisor	
August 7, 2020	4 <sup>th</sup> Term	2 <sup>nd</sup> Meeting	Change of the internal auditing supervisor	
September 26, 2020	4 <sup>th</sup> Term	3 <sup>rd</sup> Meeting	Sales of the shares of Zentel Japan Corp. (which is a 100% subsidiary of Zentel, hereinafter referred to as "ZJC"), on behalf of Zentel Electronics Corporation, a wholly-owned subsidiary of the Company, pursuant to the share transaction agreement	
			Lending funds to Zentel Japan Corp.	
November 6, 2020	4 <sup>th</sup> Term	4 <sup>th</sup> Meeting	Appointment of the certified public accountant of the Company	
December 18, 2020	4 <sup>th</sup> Term	5 <sup>th</sup> Meeting	Audit fee of 2020 financial report of certified public accountant	

Meeting Date	Meeting		Contents of Proposal	All opinions of Independent Directors and the Company's handling of the opinions of Independent Directors
			Proposal for removal of the restrictions on the non-competition for the Director, Chen Wen-Liang, to act as the Director of ZJC	
			Applying for authorization to trade money market funds on behalf of Zentel Electronics Corporation, the subsidiary of the Company	
			Applying for disposition of Mega Diamond Money Market Fund and CTBC Hua Win Money Market Fund	
			Providing financing credit guarantee of CTBC Bank to AP Memory Technology (Hong Kong) Co. Limited, the sub-subsidiary of the Company	

(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
June 15, 2020	4 <sup>th</sup> Term	1 <sup>st</sup> Meeting	Appointment of the President	The discussion of this proposal was related to the Director Chen, Wen-Liang.	Except for the directors who were withdrawn from discussion to avoid conflicts of interest, the other directors present passed the resolution without objection.
August 7, 2020	4 <sup>th</sup> Term	2 <sup>nd</sup> Meeting	Determination of the remuneration of the Independent Director, Yeh, Shu, according to the "Remuneration Policy for Directors and Functional Committee Members"	The discussion of this proposal was related to the Director Yeh, Shu.	
			Determination of the remuneration of the Independent Director, Yeh Rui-Bin, according to the "Remuneration Policy for Directors and Functional Committee Members"	The discussion of this proposal was related to the Director Yeh, Rui-Bin.	
			Determination of the remuneration of the Independent Director, Chen Tze-Chiang, according to the "Remuneration Policy for Directors and Functional Committee Members"	The discussion of this proposal was related to the Director Chen, Wen-Liang.	
			Report on payment of the President's operating and performance bonus for the 2 <sup>nd</sup> quarter of 2020	The discussion of this proposal was related to the Director Chen, Wen-Liang.	
September 26, 2020	4 <sup>th</sup> Term	3 <sup>rd</sup> Meeting	Proposal for submission of list of employees eligible for allotment as well as amount of the allotted warrants for each employee according to the Company's "2020 Measures of Issuance and Subscription of Employee Stock Warrants"	The discussion of this proposal was related to the Directors Chen, Wen-Liang and Liu, Jing-Hong.	
November 6, 2020	4 <sup>th</sup> Term	4 <sup>th</sup> Meeting	Report on payment of the President's operating and performance bonus for the 3 <sup>rd</sup> quarter of 2020	The discussion of this proposal was related to the Director Chen, Wen-Liang.	
December 18, 2020	4 <sup>th</sup> Term	5 <sup>th</sup> Meeting	Proposal for removal of the restrictions on the non-competition for the Director, Chen Wen-Liang, to act as the Director of Zentel Japan Corp.	The discussion of this proposal was related to the Director Chen, Wen-Liang.	

(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 2021.

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Method of Evaluation	Contents of Evaluation
Once every year	Evaluate the performance of the Board and functional committee as of January 1, 2020 to December 31, 2020	Evaluate the performance of the Board of Directors, individual directors, and functional committee	<ol style="list-style-type: none"> <li>The members of the Board of Directors evaluate the overall performance of the Board of Directors.</li> <li>Individual board members conduct self-performance evaluations.</li> <li>The members of the audit committee evaluate the overall performance of the committee.</li> <li>The members of the remuneration committee evaluate the overall performance of the committee.</li> </ol>	<ol style="list-style-type: none"> <li>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 continuation of the directors, internal control and other aspects.</li> <li>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.</li> <li>Overall performance evaluation of the remuneration 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 remuneration committee, the improvement of decision quality of the remuneration committee, and the composition and selection of the remuneration committee, etc. The results shall be reported to the Board.</li> </ol>

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

- 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.
- The Company elected three Independent Directors for a term of three years at the general meeting of shareholders in 2020. 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.
- Establishment of the remuneration committee and audit committee: The Company has established the remuneration 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.
- 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.
- The Company has covered liability insurance for all Directors, details of which are published at the Market Observation Post System.

(vi) Diversity of Directors

In accordance with the Company's "Corporate Governance Best Practice Principles", the composition of directors should be diverse, and directors should generally possess the knowledge, skills, and qualities necessary to perform their duties.

Items Name of Director	Gender	Diversity			Diversified Core Project Capabilities							
		Professional Background	Professional Skill	Industrial Experience	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: Liu, Jing-Hong	Male	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓
Shanyi Investment Co., Ltd Representative: Hung, Chih-Hsun(Remark 1)	Male	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓
Li Shun Investment Co. Representative: Hsieh, Ming-Lin	Male	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Independent Director Yeh, Shu(Remark 2)	Male	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Independent Director Yeh, Rui-Bin	Male	✓	✓	✓	✓		✓	✓		✓	✓	✓
Independent Director Chen, Tze-Chiang	Male	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓

Remark1: Submitted his resignation on March 12, 2021 to be effective on June 16, 2021 in order to facilitate the promotion of corporate governance of the Company.

Remark2: Submitted his resignation on April 1, 2021 to be effective on May 31, 2021

(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. 2020 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, 2020, and has appointed Deloitte & Touche to audit the financial statements and to issue an independent report thereon. Audit committee of the opinion that there are no deficiencies in the aforementioned business report, financial statements and proposal for appropriation of earnings.

The Audit Committee evaluated the effectiveness of 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 (2020), the audit committee held 9 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】 (Remark 1)	Remark
Independent Director	Yeh, Shu	9	0	100.00%	
Independent Director	Yeh, Rui-Bin	9	0	100.00%	
Independent Director	Chen, Tze-Chiang	8	0	88.89%	
Remark: 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
1 <sup>st</sup> Term 15 <sup>th</sup> Meeting of the Audit Committee	February 4, 2020	■ Change of the accounting supervisor	All independent directors had no further comments and agreed to approve
1 <sup>st</sup> Term 16 <sup>th</sup> Meeting of the Audit Committee	March 20, 2020	■ The 2019 "Statement of Internal Control System" ■ 2019 annual individual and consolidated financial statements and business report of the Company	
1 <sup>st</sup> Term 17 <sup>th</sup> Meeting of the Audit Committee	April 24, 2020	■ Distribution of 2019 Profits	
1 <sup>st</sup> Term 18 <sup>th</sup> Meeting of the Audit Committee	April 30, 2020	■ Revision on distribution of 2019 Profits ■ Change of the accounting supervisor	
1 <sup>st</sup> Term 19 <sup>th</sup> Meeting of the Audit Committee	May 8, 2020	■ Establishment of the "Procedures for Lending Funds to Other Parties" on behalf of Zentel Electronics Corporation, the subsidiary of the Company ■ Change of the Audit Supervisor's Deputy.	
2 <sup>nd</sup> Term 1 <sup>st</sup> Meeting of the Audit Committee	August 7, 2020	■ Change of the internal audit supervisor	
2 <sup>nd</sup> Term 2 <sup>nd</sup> Meeting of the Audit Committee	September 26, 2020	■ Sales of the shares of Zentel Japan Corp. (which is a 100% subsidiary of Zentel), on behalf of Zentel Electronics Corporation, a wholly-owned subsidiary of the Company, pursuant to the share transaction agreement ■ Lending funds to Zentel Japan Corp.	
2 <sup>nd</sup> Term 3 <sup>rd</sup> Meeting of the Audit Committee	November 6, 2020	■ Appointment of the certified public accountant of the Company ■ To revise the Company's "Rules of Procedure of the Board of Directors" ■ To revise the Company's "Management of the Procedures for Preparation of Financial Statements" ■ To revise the Company's "Audit Committee Charter"	
2 <sup>nd</sup> Term 4 <sup>th</sup> Meeting of the Audit Committee	December 18, 2020	■ Audit fee of 2020 financial report of certified public accountant	

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
1 <sup>st</sup> Term 16 <sup>th</sup> Meeting of the Audit Committee	March 20, 2020	<ul style="list-style-type: none"> <li>■ 2019 Internal Control Policy Statement</li> <li>■ Implementation of Annual Audit Plan</li> </ul>	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.
1 <sup>st</sup> Term 19 <sup>th</sup> Meeting of the Audit Committee	May 8, 2020	<ul style="list-style-type: none"> <li>■ Implementation of Annual Audit Plan and Follow-up of improvement actions taken against deficiencies</li> <li>■ Change of the Audit Supervisor's Deputy</li> </ul>	
2 <sup>nd</sup> Term 1 <sup>st</sup> Meeting of the Audit Committee	August 7, 2020	<ul style="list-style-type: none"> <li>■ Implementation of Annual Audit Plan and Follow-up of improvement actions taken against deficiencies</li> <li>■ Appointment of Internal Audit Supervisor</li> </ul>	
2 <sup>nd</sup> Term 3 <sup>rd</sup> Meeting of the Audit Committee	November 6, 2020	<ul style="list-style-type: none"> <li>■ Implementation of Annual Audit Plan and Follow-up of improvement actions taken against deficiencies</li> <li>■ Amendments to the Audit Committee Charter</li> </ul>	
2 <sup>nd</sup> Term 4 <sup>th</sup> Meeting of the Audit Committee	December 18, 2020	<ul style="list-style-type: none"> <li>■ 2021 Audit Plan Risk Assessment and Planning</li> <li>■ Implementation of 2020 Annual Audit Plan and Follow-up of improvement actions taken against deficiencies</li> </ul>	

- (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 March 20, 2020, 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 remuneration 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 remuneration of individual directors and nomination for renewal of office? (4) Does the Company regularly evaluate its external auditors’ independence?	✓  ✓  ✓  ✓	   ✓	(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 “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. (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 <sup>st</sup> quarter of 2021.  (4) When the Company appoints its annual external auditors, it will evaluate their 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 external auditors of the Company meet the independence evaluation standard and are qualified to serve as its external auditors. The Company reported it to the audit committee and the Board of Directors for their consideration and obtained approval of appointment on November 6, 2020.	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	
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)?	✓		The Board of Directors appointed Ms. Hong, Shu-Ling, Senior Manager of the Finance and Accounting Center, 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.	No significant difference
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? (2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference, etc.)? (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?	✓  ✓	  ✓	(1) The Company discloses its financial, business and corporate governance status at any time on its website at <a href="http://www.apmemory.com">www.apmemory.com</a> . (2) The Company has designated the Finance and Accounting Center (Contact No.: 03-560-1651; Email: <a href="mailto:ir@apmemory.com">ir@apmemory.com</a> ) to handle the collection and disclosure of information. The Company has established a spokesman system (Spokesman: <u>Lin, Yu-Hsin</u> ; Deputy Spokesman: <u>Lien Yu-Te</u> ). The relevant information of investors conference has also been uploaded on the Company's website. (3) The Company provides real-time information to shareholders, stakeholders, etc. via the Market Observation Post System and its website.	No significant difference
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)?	✓		(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. (2) The Company discloses information related to its financial, business, and corporate governance on its website at <a href="http://www.apmemory.com">www.apmemory.com</a> , providing open and transparent information for general staff, investors, suppliers, and stakeholders. (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 visit the Market Observation Post System of the Company for further	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	
			<p>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 of any proposal, in which the Director is an interested party, to avoid conflicts of interest.</p> <p>(6) The Company maintains D&amp;O Insurance for its directors and officers.</p>	
<p>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:</p> <p>The Company will enhance immediacy and integrity of information disclosure, including:</p> <p>A. Improving the Company's website to provide Chinese and English pages for general staff, investors, suppliers, and stakeholders.</p> <p>B. 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”.</p>				

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 1: Directors' Training Records in 2020

Title	Name	Training Date	Training Course	Training Hours	Course Organizer
Chairman	Chen, Wen-Liang(Remark)	July 17, 2020	Directors and supervisors' Legal liability and risk control for financial statements fraud – Focus on related cases analysis	3.0	Securities & Futures Institute
		July 28, 2011	5G Key technologies and its business opportunities	3.0	
Director	Shanyi Investment Co., Ltd Legal Representative: Tsai , Kuo-Chi(Remark)	September 8, 2020	Directors and supervisors' Legal liability and risk control for financial statements fraud – Focus on related cases analysis	3.0	Accounting Research and Development Foundation
		September 8, 2020	5G Key technologies and its business opportunities	3.0	
Director	Shanyi Investment Co., Ltd Legal Representative: Liu , Jing-Hong	September 18, 2020	Press conference on prevention of insider trading and insider equity trading 2020	3.0	Securities & Futures Institute
		December 17, 2020	Analysis of unconventional transactions by directors and supervisors and case study	3.0	
		December 24, 2020	Principle and application of Blockchain	3.0	
		October 23, 2020	2020 corporate governance and corporate integrity presentation for directors and supervisors	3.0	Taiwan Stock Exchange
Director	Li Shun Investment Co. Legal Representative: Hsieh, Ming-Lin	July 22, 2020	Corporate governance and business sustainability seminar	3.0	Taiwan Academy of Banking and Finance
		September 8, 2020	Directors and supervisors' Legal liability and risk control for financial statements fraud – Focus on related cases analysis	3.0	Securities & Futures Institute
		September 8, 2020	5G Key technologies and its business opportunities	3.0	
Independent Director	Yeh, Shu	April 14, 2020	Impact Investing	3.0	Taiwan Corporate Governance Association
		November 10, 2020	Strategies to cope with corporate change	3.0	
Independent Director	Yeh, Rui-Bin	September 22, 2020	Listed "Corporate governance 3.0 – blueprint for sustainable development"	3.0	Taiwan Stock Exchange
		November 26, 2020	Mergers and Acquisitions and Legal Risks	3.0	Taiwan Academy of Banking and Finance
Independent Director	Chen, Tze-Chiang	July 14, 2020	Key points and common mistakes in preparing IFRS financial statements	3.0	Accounting Research and Development Foundation
		July 17, 2020	Investigation of "fund flow" in financial statements fraud cases and discussion of relevant legal liability	3.0	

Remark: The Representative of Shanyi Investment Co., Ltd, Mr. Tsai Kuo-Chi, resigned as Chairman of the Board on March 4, 2021 and was succeeded by the Director Chen, Wen-Liang.

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 Remuneration Committee

##### A. Information of the members of the 2nd Remuneration Committee of the Company

Title	Qualifications Name	Have more than 5 years of work experience and the following professional qualifications			Independence (Remark)										Number of other public companies at which concurrently serving as the member of remuneration committee	Remark
		Lecturer or higher in a department of business, law, finance, accounting or other academic department related to corporate business of the Company in a public or private junior college, college or university	Judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for corporate business of the Company	Have work experience in the area of business, law, finance, or accounting, or otherwise necessary for the corporate business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Yeh, Shu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Yeh, Rui-Bin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Other	Lan, Ching-Yao	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Remark: If each member meets the following conditions in the two years prior to his/her election and during his/her tenure, he/she shall tick the box below each condition.

- (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 (provided, this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at the company, its parent or subsidiary or a subsidiary of the same parent company.)
- (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 1% or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- (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 subparagraphs (2), (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or that ranks among the top 5 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 Act (provided, this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at the company, its parent or subsidiary or a subsidiary of the same parent company.)
- (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 (provided, this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at the company, its parent or subsidiary or a subsidiary of the same parent company.)
- (7) If the chairperson, 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 spouse: Not a director (or governor), supervisor, or employee of that other company (provided, this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at the company, its parent or subsidiary or a subsidiary of the same parent company.)
- (8) Not a director (or governor), supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company (provided, this restriction does not apply to a specific company or institution holds more than 20% but not more than 50% of the total issued shares of the company, and independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at the company, its parent or subsidiary or a subsidiary of the same parent 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 NTD500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) There is no one of the subsections of Article 30 of the Company Act.

B. Functions of the remuneration committee: The remuneration committee operates to enhance corporate governance and risk management, and to evaluate and monitor the remuneration 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 remuneration of directors and managers, and to evaluate and determine the remuneration of directors and managers.

##### C. Operation of the remuneration committee

- (i) The remuneration committee of the Company consists of three members.
- (ii) Term of this remuneration committee: From June 15, 2020 to June 14, 2023. In the most recent year, the remuneration committee held 7 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】 (Remark 1)	Remark
Convener	Yeh, Shu	7	-	100.00%	
Member	Lan, Ching-Yao	7	-	100.00%	
Member	Yeh, Rui-Bin	7	-	100.00%	
Remark: Actual Attendance Rate (%) is calculated based on the number of committee meetings and actual attendance during his/her tenure.					

(iii) The discussions and resolutions of the Remuneration Committee:

Meeting date	Discussion	Resolution
2020.03.20	The Company's suspension of the distribution of employees' remuneration and directors' remuneration in 2019.	It is agreed by all members present and approved by the Board of Directors by resolution.
	Revision of the Company's "Salary and Payroll Management Regulations" and "2020 Operating Bonus Calculation and Distribution Plan"	
	The remuneration of the Company's managerial officers	
	The remuneration of the new head of Accounting and head of Administration	
2020.04.24	The remuneration of the new head of Finance and Accounting Center and head of Finance and Accounting Division	It is agreed by all members present and approved by the Board of Directors by resolution.
	The remuneration of the Company's managerial officers	
2020.05.26	Establishment of the Company's "Performance Bonus and Employee Stock Warrants Distribution Plan" and "2020 Operating Bonus Calculation and Distribution Plan"	It is agreed by all members present and approved by the Board of Directors by resolution.
2020.07.31	Independent Directors' remuneration	It is agreed by all members present and approved by the Board of Directors by resolution.
2020.08.07	The remuneration of the Company's managerial officers	It is agreed by all members present.
2020.09.26	2020 list of managerial officers for employee stock warrants	It is agreed by all members present and approved by the Board of Directors by resolution.
2020.11.06	The remuneration of the Company's managerial officers	It is agreed by all members present.

(iv) In case that the Board of Directors does not adopt or amend the recommendations of the remuneration 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 remuneration committee: N/A

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



(5) Implementation Status of Social Responsibility and its Difference with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and the Reasons

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 conduct risk evaluation on environmental, social, and corporate governance issues related to its operations in accordance with the materiality principle, and establish relevant 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.	No significant difference
2. Does the Company set up a dedicated unit for promotion and execution of corporate social responsibility, and authorize senior management to handle and report the handling situation to the Board of Directors?		✓	The Company has not yet set up a dedicated unit to promote corporate social responsibility and will set up such unit according to its demand in the future.	A dedicated unit will be set up according to the Company’s demand in the future, and senior management will be authorized by the Board of Directors, who will report the handling situation to the Board of Directors.
3. Environmental Issues				
(1) Has the Company established a suitable environmental management system designed to industry characteristics?	✓		(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.	No significant difference
(2) Is the Company committed to improving the efficiency of resources utilization and using renewable materials with low environmental impact?	✓		(2) The Company continues to promote electronic signatures to reduce paper consumption, thus saving energy and reducing greenhouse gas emissions.	No significant difference
(3) Does the Company assess the current and future potential risks and opportunities of climate change and take action to address climate-related issues?	✓		(3) The Company is an IC design industry and has no factory. The operation of the Company has a smaller impact on greenhouse gas emissions than other industries. The Company still regularly conducts data statistics and monitoring on the use of various resources in the workplace and makes effective use of recyclable and reusable materials. The Company has a dedicated unit carrying out resource conservation sessions and tour inspection for all employees, so as to effectively avoid unnecessary waste of resources (including but not limited to oil, water, paper, and electricity).	No significant difference
(4) Has the Company recorded greenhouse gas emissions, water consumption and total weight of waste for the past two years? Has the Company formulated policies for energy saving and carbon reduction, greenhouse gas reduction, water reduction or other waste management?	✓		(4) Same as Point 3 above.	No significant difference
4. Social Issues				
(1) Has the Company established management policies and procedures in accordance with relevant laws and the International Bill of Human Rights?	✓		(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.	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	
(2) Has the Company established and implemented reasonable employee welfare measures (including compensation, leave, and other benefits) and properly reflected its business performance or results in employee compensation?	✓		(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.	No significant difference
(3) Does the Company provide a safe and healthy working environment and organize training on safety and health for its employees on a regular basis?	✓		(3) The Company continuously improves the office environment conditions, maintains the health and safety of employees, and regularly implements safety and health training.	No significant difference
(4) Has the Company set up an effective career development training program for its employees?	✓		(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.	No significant difference
(5) Does the Company comply with relevant regulations and international standards on the health and safety, of customers, customer privacy, marketing and labeling of products and services? Does the Company have consumer protection policies and complaint procedures?	✓		(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.	No significant difference
(6) Has the Company established a supplier management policy that requires suppliers to comply with relevant regulations on environmental issues, occupational safety and health or labor rights? And its implementation?	✓		(6) The Company's contracts with its main suppliers incorporate the spirit of corporate social responsibility.	No significant difference
5. Does the Company refer to international standards or guidelines for preparation of corporate social responsibility report and other reports that disclose non-financial information of the Company? Has the foregoing report been accredited by a third-party verification organization?		✓	At present, the Company has not prepared a corporate social responsibility report and will prepare such report according to its demand in the future.	At present, the Company has not prepared a corporate social responsibility report and will prepare such report according to its demand in the future.
6. If the Company makes its own corporate social responsibility principles according to the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please state its implementation status and the difference between the two Principles: The Company has established the "Corporate Social Responsibility Principles". The Company's implementation of corporate social responsibility is in accordance with the connotation of and relevant provisions of the said Practice Principles, and there is no difference.				
7. Any other important information that helps to understand the implementation status of corporate social responsibility:				
(1) To participate and fulfill its social responsibility, the Company donated:				
a、Taiwan Drug Free World Association: The Company sponsored the Association to promote anti-drug education, learning technology and other works to create non-toxic, harmless, healthy, safe, and friendly campus and community for the next generation.				
b、The Alliance Cultural Foundation: The purpose of the Foundation is to integrate social resources, build a platform for public welfare, promote cultural development, and equip local people with cultural and international perspectives through education. The Company sponsored the Foundation to give back to the village and cultivate international talents in the local area.				
(2) The Company provides maternity subsidy and maternity leave days that are better than those stipulated by laws to female employees who give birth at older ages to encourage childbirth.				
(3) In order to provide a comfortable place for female employees to collect and store breast milk, the Company set up a well-established nursing room to encourage breastfeeding.				
(4) The Company has set up a sexual harassment hotline and mailbox for collecting employees' suggestions and established an institutionalized channel for employees' proposals, communication, and appeals, enabling employees' expectations, suggestions, doubts, and grievances to be properly played, answered and dealt with.				

(6) Implementation 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	Yes	
<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>	<p>No significant difference</p> <p>No significant difference</p> <p>No significant difference</p>
<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>✓</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 management training regularly according to the needs.</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>In the future, the Company will organize the ethical management training regularly according to the needs.</p>
<p>3. Implementation of the Company's Reporting System</p> <p>(1) Has the Company established a specific reporting and reward system, established channels to facilitate reporting, and assigned appropriate personnel to handle the</p>	<p>✓</p>		<p>(1) The Company has established the “Procedures for Ethical Management and Guidelines for Conduct”, which clearly defined the reporting, reward system and</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 No
	Yes	No	Yes	
reporting?			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.	
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](http://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: March 12, 2021

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 2020:

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, 2020, 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 March 12, 2021, 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 and President: Chen, Wen-Liang

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 2020 Annual Shareholders' Meeting was held on June 15, 2020. At the meeting, the shareholders present approved the following resolutions:

Major Resolutions of Shareholders' Meeting	Implementation Status
Acknowledgement: 1. The 2019 Business Report and Financial Statements 2. The Distribution of 2019 Profits	Approved. Approved. A cash dividend of NTD1 was allocated per share, the distribution of which was completed on August 31, 2020.
Election: Re-election of 7 directors (including 3 independent directors)	Election of directors has been completed. List of the elected directors is as follows: Representative of Shanyi Investment Co., Ltd: Tsai, Kuo-Chi; Representatives of Shanyi Investment Co., Ltd: Gu, Jun 、Chen, Wen-Liang; Representative of Li Shun Investment Co.: Hsieh, Ming-Lin; Yeh Shu (Independent Director), Yeh, Rui-Bin (Independent Director), and Chen, Tze-Chiang (Independent Director).
Other Proposals: Removal of the restrictions on the non-competition of the new directors (including independent directors) and their representatives	Fully implemented according to the resolutions.

B. Resolutions of Board Meetings

During the 2020 calendar year and up to the publication date of the Annual Report, the Company held 14 board meetings, and major resolutions approved at these Board meetings are summarized below:

Date	Proposals
February 4, 2020	1. Change of the accounting supervisor 2. Amendments to the Company's "Procedures for Supervision and Management of its Subsidiaries" 3. Appointment of Directors and Supervisors of Zentel Japan Corp. on behalf of Zentel Electronics Corporation, the subsidiary of the Company
March 20, 2020	1. To obtain short-term financing line from Mega International Commercial Bank 2. Amendments to the Company's "Corporate Governance Best Practice Principles" and "Corporate Social Responsibility Practice Principles" 3. The 2019 "Statement of Internal Control System" 4. Non-distribution of employees compensation and directors remuneration in the year 2019 5. 2019 annual individual and consolidated financial statements and business report of the Company 6. To set the base date of capital increase for the 1 <sup>st</sup> quarter of 2020 for registration of change after conversion of employee stock warrants into common shares 7. Re-election of seven directors (including three independent directors) 8. Matters relating to the date and reasons for convening the 2020 Annual Shareholders' Meeting of the Company 9. Matters relating to acceptance of shareholder proposals and nominations of directors/independents directors for the 2020 Annual Shareholders' Meeting
April 24, 2020	1. Distribution of 2019 Profits 2. Distribution Statement of 2019 Profits 3. Nominations of directors/independents directors 4. Removal of the restrictions on the non-competition of the new directors (including independent directors) and their representatives

Date	Proposals
	5. Matters relating to addition and change of the reasons for convening the 2020 Annual Shareholders' Meeting of the Company
April 30, 2020	1. To revise distribution of 2019 Profits 2. To revise distribution statement of 2019 Profits 3. Change of the accounting supervisor
May 8, 2020	1. Establishment of the Company's "Risk Management Policy" 2. Establishment of the "Procedures for Lending Funds to Other Parties" on behalf of Zentel Electronics Corporation, the subsidiary of the Company 3. Change of the finance supervisor
June 15, 2020	1. Appointment of Chairman 2. To submit and report the members of the 2 <sup>nd</sup> Audit Committee 3. To submit and report the members of the 3 <sup>rd</sup> Remuneration Committee 4. To revise the Company's "Authorization and Deputy Systems" 5. To revise the Company's organizational structure 6. Appointment of President 7. Appointment of officers of various business units and centers 8. Appointment of spokesman and deputy spokesman 9. Acknowledgement of the establishment of AP Memory Technology (Hong Kong) Co. Limited 10. Appointment of corporate director representative of the subsidiary 11. To set the base date of capital increase for the 2 <sup>nd</sup> quarter of 2020 for registration of change after conversion of employee stock warrants into common shares 12. To apply to Hua Nan Commercial Bank for short-term comprehensive financing line of credit
August 7, 2020	1. Determination of remuneration of the Independent Director according to the "Remuneration Policy for Directors and Functional Committee Members" 2. To issue the Company's 2020 Employee Stock Warrants 3. Change of the internal audit supervisor 4. To apply to Land Bank of Taiwan for short-term financing line 5. To set the base date of capital increase for the 3 <sup>rd</sup> quarter of 2020 for registration of change after conversion of employee stock warrants into common shares
September 26, 2020	1. The Company's wholly owned subsidiary, Zentel Electronics Corporation, received a notice of compulsory acquisition of shares of Zentel Japan Corp. (which is a 100% subsidiary of Zentel, hereinafter referred to as "ZJC") from Eaglestream Technology Holdings Hong Kong Limited (hereinafter referred to as "EGSM") and Powerchip Technology Corporation (hereinafter referred to as "Powerchip"). To approve the shares transaction at this stage on behalf of Zentel. 2. To lend funds to Zentel Japan Corp. 3. To approve the revised "2020 Measures of Issuance and Subscription of Employee Stock Warrants" according to the requirements reviewed by the competent authority 4. Submission of list of employees eligible for allotment as well as amount of the allotted warrants for each employee according to the Company's "2020 Measures of Issuance and Subscription of Employee Stock Warrants"
November 6, 2020	1. Report on payment of the President's operating and performance bonus for the 3 <sup>rd</sup> quarter of 2020 2. To liquidate and dissolve AP Memory Japan 3. Appointment of the certified public accountant of the Company 4. To revise the Company's "Management of the Procedures for Preparation of Financial Statements" 5. To revise the Company's "Audit Committee Charter" 6. To revise the Company's "Rules Governing the Scope of Powers of Independent Directors" 7. To rename the Company's "Self-Evaluation or Peer Evaluation of the Board of Directors" as "Board Performance Evaluation Method" and to revise 8. Appointment of Mr. Hung, Chih-Hsun, the Vice President to act as the director of AP Memory Technology (Hangzhou) Corporation and AP Memory Technology (Hong Kong) Co. Limited
December 18, 2020	1. Removal of the restrictions on the non-competition for the Director, Chen Wen-Liang, to act as the Director of ZJC 2. To set the base date of capital increase for the 4 <sup>th</sup> quarter of 2020 for registration of change after conversion of employee stock warrants into common shares 3. The Company's annual budget of 2021 4. To apply for authorization to trade money market funds on behalf of Zentel Electronics Corporation, the subsidiary of the Company 5. To apply for disposition of Mega Diamond Money Market Fund and CTBC Hua Win Money Market Fund 6. To apply to CTBC Bank for short-term financing line 7. To provide financing credit guarantee of CTBC Bank to AP Memory Technology (Hong Kong) Co. Limited, the sub-subsidiary of the Company 8. The Annual Audit Plan of 2021. 9. To revise the Company's "Asset Management Measures"



Date	Proposals
March 4, 2021	Election of Chairman
March 12, 2021	<ol style="list-style-type: none"> <li>1. Approval of the "2020 Statement of Internal Control System"</li> <li>2. To revise the Company's "Internal Control System" and "Internal Audit Implementation Rules"</li> <li>3. Approval of distribution of the Company's 2020 employees compensation and directors remuneration</li> <li>4. To acknowledge the Company's 2020 annual individual and consolidated financial statements and business report</li> <li>5. To set the base date of capital increase for the 1<sup>st</sup> quarter of 2021 for registration of change after conversion of employee stock warrants into common share</li> <li>6. To prepare the distribution of 2020 profits</li> <li>7. Approval of the distribution statement of 2020 profits</li> <li>8. To revise the Company's "Procedures for Ethical Management and Guidelines for Conduct"</li> <li>9. To revise the Company's "Code of Ethical Conduct"</li> <li>10. To revise the Company's "Rules of Procedure for Shareholders Meetings"</li> <li>11. To revise the Company's "Articles of Association"</li> <li>12. To revise the Company's "Measures of Issuance and Subscription of Employee Stock Warrants" for the 2<sup>nd</sup> time in 2016, 2018, 2019, and 2020</li> <li>13. Matters relating to the date and reasons for convening the 2021 Annual Shareholders' Meeting of the Company</li> <li>14. Appointment of the certified public accountant of the Company in 2021</li> <li>15. To report the salary increase of the Company's President in 2021 and distribution of operation and performance bonus for the 4<sup>th</sup> quarter of 2020</li> <li>16. Submission of list of employees eligible for allotment as well as amount of the allotted warrants for each employee according to the Company's "2020 Measures of Issuance and Subscription of Employee Stock Warrants"</li> <li>17. To obtain short-term financing line from Mega International Commercial Bank</li> </ol>
April 6, 2021	<ol style="list-style-type: none"> <li>1. Election of two independent directors of the Company</li> <li>2. To nominate candidates for independent directors and to examine their independence</li> <li>3. Removal of the restrictions on the non-competition of the new independent directors</li> <li>4. Matters relating to addition and change of the reasons for convening the 2021 Annual Shareholders' Meeting of the Company</li> </ol>
May 7, 2021	<ol style="list-style-type: none"> <li>1. Resolve cash capital reduction and refund on behalf of the subsidiary- Zentel Electronics Corporation.</li> <li>2. Resolve capital injection into AP Memory (Hong Kong) on behalf of the subsidiary – AP Memory (Hangzhou).</li> <li>3. Approved the amendment to the "Articles of Association."</li> <li>4. Approved the amendment to the "Remuneration Committee Charter and Management Regulations."</li> <li>5. To set the base date of capital increase for the 2<sup>nd</sup> quarter of 2021 for registration of change after conversion of employee stock warrants into common share</li> <li>6. Approved the performance bonus of the President in 2020 and distribution of operation and performance bonus for the 1<sup>st</sup> quarter of 2021</li> <li>7. Approved the establishment and appointment of the head of the Company's corporate governance</li> </ol>

(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
Chairman	Tsai, Kuo-Chi	June 15, 2020	March 4, 2021	Career Development
Audit Supervisor	Hong, Shu-Ling	December 1, 2018	August 7, 2020	Job Rotation
President	Gu, Jun	September 27, 2011	May 31, 2020	Career Development
Finance Supervisor	Lien, Yu-Te	December 20, 2019	May 8, 2020	Job Rotation (Remark 2)
Accounting Supervisor	Peng, Jo-Yun	January 31, 2020	May 4, 2020	Job Rotation (Remark 2)
Accounting Supervisor	Hung, Mao-Chuan	June 22, 2015	January 31, 2020	Leave without Pay (Remark 1)

Remark 1: Peng, Jo-Yun took over as the Accounting Supervisor.

Remark 2: Hung, Mao-Chuan took over as the Accounting and Finance Supervisor; Peng, Jo-Yun was adjusted to be the Accounting Supervisor; and Lien, Yu-Te was transferred to the Finance and Accounting Center.



## 5. Information of Audit Fee

### (1) Audit Fee

Unit: In thousands of NTD

Accounting Firm	Name of CPA	Audit Fee	Non-Audit Fee					Audit Period	Remark
			System Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche	Chiu, Cheng-Chun	4,200	—	—	—	585	585	January 1, 2020 to December 31, 2020	—
	Wu, Shi-Zong								

Explanation: "Others" category in the Non-Audit Fee includes transfer pricing reports, declaration of issuance of employee stock warrants, and checklist of full-time employees' salary information for non-supervisory positions.

(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: Not applicable

(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: Not applicable

6. Information on Replacement of CPA: N/A

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, management, and shareholder with 10% shareholdings or more

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

Unit: Share

Title	Name	2020		2021 as of May 7	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman (Remark 1)	Chen, Wen-Liang	-	-	-	-
Director	Shanyi Investment Co., Ltd	(30,000)	-	-	-
	Representative: Tsai, Kuo-Chi (Remark 1, 2)	-	-	-	-
	Representative: Hung, Chih-Hsun (Remark 2)	-	-	-	-
Director	Shanyi Investment Co., Ltd	(30,000)	-	-	-
	Representative: Liu, Jing-Hong	(90,000)	-	-	-
Director	Li Shun Investment Co.	-	-	-	-
	Representative: Hsieh, Ming-Lin	-	-	-	-
Independent Director	Yeh, Shu	-	-	-	-
Independent Director	Yeh, Rui-Bin	-	-	-	-
Independent Director	Chen, Tze-Chiang	-	-	-	-
Major Shareholder	Shanyi Investment Co., Ltd	(30,000)	-	-	-
President	Chen, Wen-Liang	-	-	-	-
Senior Vice President	Lin, Han-Chih	-	-	-	-
Vice President	Liu, Jing-Hong	(90,000)	-	-	-
Vice President	Hung, Chih-Hsun	-	-	-	-
Assistant Manager	Lin, Yu-Hsin (Remark 3)	-	-	-	-
Accounting and Finance Supervisor	Hung, Mao-Chuan (Remark 3)	-	-	-	-
Corporate Governance Supervisor	Hong, Shu-Ling (Remark 4)	-	-	-	-

Remark 1: Mr. Tsai Kuo-Chi resigned as Chairman of the Board on March 4, 2021 and was succeeded by the Director, Mr. Chen Wen-Liang.

Remark 2: Mr. Tsai Kuo-Chi resigned as Corporate Director Representative on April 11, 2021, and Shanyi Investment Co., Ltd appointed Mr. Hung, Chih-Hsun to take over the position.

Remark 3: Took office in May 2020.

Remark 4: Took office in May 2021.

Remark 5: The number of stock shares in this table is based on the insider shareholding report as of April 2021.

(2) Information of stock trade with related party by any director, supervisor, management, 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

April 19, 2021; 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		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Shanyi Investment Co., Ltd	13,228,334	17.79%	—	—	—	—	Representative of YAMAICHI HOLDINGS CO., LTD.: Li, Juan	Parent Company	
Representative: Li, Juan	—	—	—	—	—	—			
Huang, Chunng-Jen	3,614,503	4.86%	—	—	—	—			
Deutron Electronics Corporation	3,281,603	4.41%	—	—	—	—	N/A		
Responsible Person: Lo, Ying-Hua	—	—	—	—	—	—			
Yu Hui Investment Co.	2,564,735	3.45%	—	—	—	—	N/A		Remark
Responsible Person: Chen, Hui-Chuan	286,985	0.39%	—	—	285,143	0.38%			
YAMAICHI HOLDINGS CO., LTD.	2,279,305	3.07%	—	—	—	—	Representative of Shanyi Investment Co., Ltd: Li, Juan	Subsidiary	
Responsible Person: Li, Juan	—	—	—	—	—	—			
RESEN CORPORATION	2,040,990	2.74 %	—	—	—	—	N/A		
Responsible Person: Huang, Shu-Min	—	—	—	—	—	—			
Girish	1,848,339	2.49%	—	—	—	—	N/A		
Wu, Yu-Chan	1,811,000	2.44%	—	—	—	—	N/A		
JENDAN INVESTMENT INC.	1,627,915	2.19%	—	—	—	—	N/A		
Responsible Person: Hung, Cheih-Hsien	10,275	0.01%	—	—	—	—			
Li, Hsuan-Hsi	1,360,096	1.83%	—	—	—	—	N/A		

Remark: 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, 2020; 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%
Zentel Electronics Corporation	40,000	100.00%	-	-	40,000	100.00%
AP Memory Technology (Hangzhou) Corporation	-	100.00%	-	-	-	100.00%
AP Memory Technology (Hong Kong) Co. Limited	-	100.00%	-	-	-	100.00%

## IV Fundraising

### 1. Capital and Shares

#### (1) Sources of Capital

May 7, 2021; Unit: In thousands of NTD; 1,000 Shares

Month/ Year	Issue Price (NTD)	Authorized Share Capital		Capital Stock		Remark				
		Shares	Amount	Shares	Amount	Sources of Capital (In thousands of NTD)			Capital Increase by Assets other than Cash	Others
						Conversion of Employee Stock Warrants	Issuance of Restricted Stock Awards	Retiremen t of Treasury Stock		
January 2019	10	100,000	1,000,000	75,280	752,804	1,050	—	—	N/A	January 7, 2019 Eco Auth Biz Zhi No. 10801000390
April 2019	10	100,000	1,000,000	75,336	753,364	560	—	—	N/A	April 8, 2019 Eco Auth Biz Zhi No.10801034400
Septemb er 2019	10	100,000	1,000,000	73,830	738,304	—	(60)	(15,000)	N/A	September 5, 2019 Eco Auth Biz Zhi No.10801117830
January 2020	10	100,000	1,000,000	73,853	738,534	230	—	—	N/A	January 14, 2020 Eco Auth Biz Zhi No.10801196290
April 2020	10	100,000	1,000,000	73,915	739,156	622	—	—	N/A	April 8, 2020 Eco Auth Biz Zhi No.10901056970
July 2020	10	100,000	1,000,000	73,940	739,396	240	—	—	N/A	July 10, 2020 Eco Auth Biz Zhi No.10901116290
Septemb er 2020	10	100,000	1,000,000	74,130	741,296	1,900	—	—	N/A	September 1, 2020 Eco Auth Biz Zhi No.10901158540
January 2021	10	100,000	1,000,000	74,232	742,316	1,020	—	—	N/A	January 13, 2021 Eco Auth Biz Zhi No.10901251540
March 2021	10	100,000	1,000,000	74,333	743,326	1,010	—	—	N/A	March 31, 2021 Eco Auth Biz Zhi No.11004047640

May 7, 2021; Unit: Share

Type of Stock	Authorized Share Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Common Stock	74,338,623	25,661,377	100,000,000	Listed Stock. The number of outstanding shares includes 258,000 treasury stocks and 6,000 employee warrants conversion, the registration of changes of which has not yet been completed.

#### (2) Composition of Shareholders

April 19, 2021; 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	3	100	8,538	100	8,741
Shareholding	0	41,000	31,202,675	32,163,557	10,931,391	74,338,623
Holding Percentage	0.00	0.06	41.97	43.27	14.70	100.00

(3) Distribution Profile of Share Ownership

April 19, 2021; Unit: Person; Share; %  
NTD10 per share

Shareholder Ownership	Number of Shareholders	Shareholding	Holding Percentage
1 ~ 999	3,355	300,268	0.40
1,000 ~ 5,000	4,672	7,620,538	10.25
5,001 ~ 10,000	322	2,457,171	3.31
10,001 ~ 15,000	91	1,144,725	1.54
15,001 ~ 20,000	54	988,995	1.33
20,001 ~ 30,000	65	1,668,694	2.24
30,001 ~ 40,000	27	939,141	1.26
40,001 ~ 50,000	11	487,497	0.66
50,001 ~ 100,000	54	3,763,274	5.06
100,001 ~ 200,000	41	5,675,938	7.64
200,001 ~ 400,000	27	7,222,623	9.72
400,001 ~ 600,000	5	2,554,740	3.44
600,001 ~ 800,000	4	3,020,343	4.06
800,001 ~ 1,000,000	3	2,837,856	3.82
Over 1,000,001	10	33,656,820	45.27
Total	8,741	74,338,623	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.

April 19, 2021; Unit: Share; %

Name of Major Shareholders	Shares	Shareholding	Holding Percentage
Shanyi Investment Co., Ltd		13,228,334	17.79
Huang, Chunng-Jen		3,614,503	4.86
Deutron Electronics Corporation		3,281,603	4.41
Yu Hui Investment Co.		2,564,735	3.45
YAMAICHI Holding Co.		2,279,305	3.07
RESEN CORPORATION		2,040,990	2.74
Girish		1,848,339	2.49
Wu Yu-Chan		1,811,000	2.44
JENDAN INVESTMENT INC.		1,627,915	2.19
Li Hsuan-Hsi		1,360,096	1.83

(5) Market price, net worth, earnings, and dividends per common share, and related information for the latest two years.

Unit: NTD; 1,000 shares

Item		Year	2019	2020	The current year as of May 7, 2021 (Remark 4)
Market Price Per Share	Highest		93.00	565.00	937.00
	Lowest		33.95	73.50	426.00
	Average		62.92	261.24	711.43
Net Worth Per Share	Before Distribution		29.28	41.80	46.60
	After Distribution		28.28	36.81(Remark 1)	-
Earnings Per Share	Weighted Average Shares		74,106	73,764	74,041
	Earnings Per Share	Before Retrospectively Adjustment	(5.33)	11.00	4.73
Dividends Per Share	Cash Dividends		0.99742797	5.00 (Remark 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 (Remark 2)		Not applicable, as the Company has a net loss after tax this year		-
	Price/Dividends ratio (Remark 3)		62.92	52.25	-
	Cash Dividend Yield		1.59%	1.91%	-

Remark 1: The Company's earning distribution proposal for 2020 has been approved by the Board of Directors and is waiting for submission to the 2021 Annual Meeting of Shareholders.

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

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

Remark 4: Net Worth Per Share and Earnings Per Share are the data reviewed by the accountant in the 1st quarter of 2021.

(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

Dividends per share		Year	2020
Cash Dividends			5.0
Issuance of Bonus Shares	Earnings		0
	Capital Surplus		0
Total			5.0

The above table is the cash dividends approved by the Board of Directors on March 12, 2021, 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) Remuneration of Employees, Directors, and Supervisors

A. The percentage or range of remuneration 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 remuneration of employees, directors, and supervisors as the employees' remuneration, and no more than 3% as the remuneration 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' remuneration may be paid in the form of stock or cash, and the recipients may include employees of affiliated companies who meet certain conditions. Directors and supervisors remuneration will be paid in cash only.

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

The remuneration for employees, directors, and supervisors in 2020 are estimated at 3.7684% and 0.8715% of the pre-tax profit before deduction of the remuneration for employees and directors respectively, which were allocated in cash by the resolution of the Board of Directors on March 12, 2021.

C. Distribution of Remuneration approved by the Board of Directors

(i) The amount of employees remuneration distributed in cash or stock and the remuneration 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 March 12, 2021 to distribute in cash the remuneration of NTD34,592 thousand to the employees and NTD 8,000 thousand to the directors in 2020, which had no difference with the estimated figure for the fiscal year these expenses are recognized.

(ii) The amount of employees remuneration 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 remuneration.

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

D. The actual distribution of remuneration 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 March 20, 2020 not to distribute directors and employees remuneration, which had no difference with the estimated figure stated in the financial statements.

(9) Buyback of Common Stock

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

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.

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. Depositary Receipt: N/A

## 5. Status of Employee Stock Warrants Plan

### (1) Status of Employee Stock Warrants before the expiration date

May 7, 2021

Type of Employee Stock Warrants	1 <sup>st</sup> time in 2016	2 <sup>nd</sup> time in 2016	2018		2019	2020	
Approval Date	July 5, 2016	December 26, 2016	September 14, 2018		July 11, 2019	September 15, 2020	
Issue Date	August 1, 2016	January 25, 2017	November 9, 2018	April 26, 2019	December 20, 2019	September 26, 2020	March 12, 2021
Duration	5 years	10 years	10 years		10 years	10 years	
Number of Warrants Granted	300,000	680,000	692,000	8,000	750,000	319,000	69,430
Ratio of shares exercisable to the total number of shares issued	0.40%	0.91%	0.93%	0.01%	1.01%	0.43%	0.09%
Period for subscription	After being granted the employee stock warrant, the subscriber may exercise warrant rights according to the period and proportion of the warrant set out below.	After being granted the employee stock warrant, the subscriber may exercise warrant rights according to the period and proportion of the warrant set out below.	After being granted the employee stock warrant, the subscriber may exercise warrant rights according to the period and proportion of the warrant set out below.		After being granted the employee stock warrant, the subscriber may exercise warrant rights according to the period and proportion of the warrant set out below.	After being granted the employee stock warrant, the subscriber may exercise warrant rights according to the period and proportion of the warrant set out below.	
Sources of Option Shares	New Common Share	New Common Share	New Common Share		New Common Share	New Common Share	
Vesting Schedule (%)	After the period of grant expires two year, the subscriber may exercise it freely.	Duration of the warrant grant and the percentage of the maximum number of exercisable warrants accumulated: (1) Two years after the duration of the warrant grant: 40% of the total warrants granted (2) Three years after the duration of the warrant grant: 70% of the total warrants granted (3) Four years after the duration of the warrant grant: Free to exercise the remaining stock warrants.	Duration of the warrant grant and the percentage of the maximum number of exercisable warrants accumulated: (1) Two years after the duration of the warrant grant: 25% of the total warrants granted (2) Three years after the duration of the warrant grant: 25% of the total warrants granted (3) Four years after the duration of the warrant grant: 25% of the total warrants granted (4) Five years after the duration of the warrant grant: Free to exercise the remaining stock warrants.		Duration of the warrant grant and the percentage of the maximum number of exercisable warrants accumulated: (1) Two years after the duration of the warrant grant: 25% of the total warrants granted (2) Three years after the duration of the warrant grant: 50% of the total warrants granted (3) Four years after the duration of the warrant grant: 75% of the total warrants granted (4) Five years after the duration of the warrant grant: Free to exercise the remaining stock warrants.	Duration of the warrant grant and the percentage of the maximum number of exercisable warrants accumulated: (1) Two years after the duration of the warrant grant: 25% of the total warrants granted (2) Three years after the duration of the warrant grant: 50% of the total warrants granted (3) Four years after the duration of the warrant grant: 75% of the total warrants granted (4) Five years after the duration of the warrant grant: Free to exercise the remaining stock warrants.	
Shares Exercised	300,000 shares	309,200 shares	124,000 shares	0 share	0 share	0 share	0 share
Value of Shares Exercised	NTD 2,754,000	NTD 22,627,256	NTD 5,493,200	NTD 0	NTD 0	NTD 0	NTD 0
Shares Unexercised	0	7,000 (Remark 1)	354,000 (Remark 2)	8,000	750,000	319,000 (Remark 3)	69,430
Original Grant Price Per Share	Not applicable	NTD 73.18	NTD 44.3	NTD 43.3	NTD 83.5	NTD 333.5	NTD 781.0
Ratio of Shares Unexercised to the total number of shares issued	Not applicable	0.01%	0.48%	0.01%	1.01%	0.42%	0.09%
Impact to 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.	

Remark 1: Excluding the cancellation of 363,800 units due to resignation. Remark 2: Excluding the cancellation of 214,000 units due to resignation. Remark 3: Excluding the cancellation of 9,000 units due to resignation.

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

May 7, 2021; Unit: New Taiwan dollars; Share

	Title	Name	Number of Warrants 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	President	Chen, Wen-Liang	819,400	1.10%	575,000	\$10.00~ 36.76	\$10,940,360	0.77%	244,400	\$83.5~ \$781	\$35,686,900	0.30%
	Senior Vice President	Lin, Han-Chih										
	Vice President	Liu, Jing-Hong										
	Vice President	Hung, Chih-Hsun										
	Assistant Manager	Lin, Yu-Hsin										
	Accounting and Finance Supervisor	Hung, Mao-Chuan										
	Corporate Governance Supervisor	Hong, Shu-Ling										
Employees (Remark)	Senior Manager	Wang, Mei-Hsien	1,717,680	2.31%	1,386,000	\$10.00~ 44.3	\$22,012,600	1.86%	331,680	\$44.3~ \$781	\$38,989,980	0.45%
	Manager	Lin, I-Feng										
	President of Subsidiary	Fan, Yu-Chuan										
	Director	Yu, Chien-An										
	Senior Chief Engineer	Ma, Hung-Paio										
	Senior Manager	Huang, Jing-Lun										
	Senior Manager	Kuo, Chang-Li										
	Senior Manager	Chang, I-Chien										
	Manager	Chen, Ching-Lin										
	Senior Engineer	Yang, Ching-Shan										

Remark: In the order of the number of strokes in surnames.



6. New restricted stock award shares issued to employees

(1) The Company's new restricted stock award shares issued to employees not yet fully meeting vesting conditions: None.

(2) Names of managerial officers and top ten employees who acquired new restricted stock award shares issued to employees as of the printing date of the annual report, and the status of acquisition.

May 7, 2021; Unit: Share; %; New Taiwan Dollar

	Title	Name	Number of new restricted shares award shares issued to employees new shares acquired	Number of new restricted stock award shares issued to employees obtained as a percentage of the total number of	Restricted rights have been lifted				Restricted rights have not been lifted			
					Number of shares released from restrictions	Issue price	Issue amount	Number of shares released from restrictions as a percentage of the total number of issued shares	Number of shares released from restrictions	Issue price	Issue amount	Number of shares not released from restrictions as a percentage of the total
Employees (Remark)	Senior Manager	Wang, Chein-Kang	323,000	0.43%	323,000	0	0	0.43%	-	-	-	-
	Senior Manager	Ho, I-Chung										
	Senior Engineer-in-charge	Li, Yu-Wen										
	R&D Special Assistant	Alessandro Minzoni										
	Administrator in charge	Chiu, Yun-Hui										
	Senior Manager	Huang, Chung-Chiang										
	Senior Engineer	Huang, Kun-Hsien										
	Engineer-in-charge	Huang, Chun-Ming										
	Director	Huang, Wei-Cheng										
	Engineer-in-charge	Chia, Hsueh-Chen										

Remark: It is sorted by the number of strokes of the last name.

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

8. Implementation of funding utilization plan: N/A

## 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	2019(Remark 1)		2020	
	Net operating revenue	Ratio (%)	Net operating revenue	Ratio (%)
Memory IC chips Sales revenue	3,131,224	91.65	3,190,196	89.88
Service revenue	260,802	7.63	301,775	8.50
Other revenue (Remark2)	24,643	0.72	57,526	1.62
Total	3,416,669	100.00	3,549,497	100.00

Source: Financial statements audited and attested by CPAs.

Remark 1: The information for 2019 does not include the profit or loss from the discontinued operations, which has been reclassified and separately listed.

Remark 2: Other revenue represents the revenue from the sale of engineering products.

#### 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 the business is as follows:

- (i) IoT related memory products can be divided into the following four 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

Main applications are in wearable devices and IoT-related products, the Company is the major leader.

##### b. Low Power DRAM

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

##### c. Customized DRAM

The customized DRAM products are optimized to support customers' specific application specifications, such as ultra-low-power, ultra-high-bandwidth, and logic-in-memory.

- (ii) AI Memory, licensing and design services

A large number of artificial intelligence calculations require the use of large-capacity, high-speed cache memory to enable the system to perceive, think, and quickly execute the results of the calculation. The Company's customized high-speed memory products and designs, through the WoW 3D technology and through the integration of heterogeneous wafers, can improve system performance, and have advantages in bandwidth and power consumption, mainly used in high-speed computing fields of AI and network communication.

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<sup>®</sup> (Very High-bandwidth Memory)
- (iv) LPDDR4 memory used in next-generation 5G communications
- (v) In Memory Computing

(2) Industry overview

A. The present industry status and development

(i) Current industry status

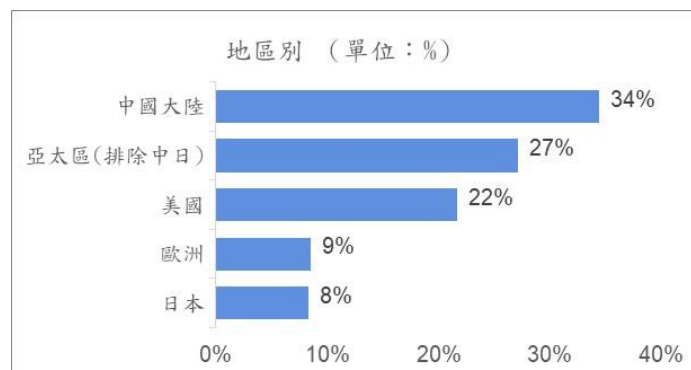
In 2020, amidst the COVID-19 global pandemic, the overall semiconductor industry was poised for a year of growth due to a combination of strong market demand, lack of wafer production capacity, logistics constraints, and low supply of basic raw materials for semiconductor production. According to WSTS, the global semiconductor market reached a total annual sales value of US\$440.4 billion in 2020, representing a 6.8% increase from 2019, as shown in the chart below.



Source: WSTS; Industry, Science and Technology International Strategy Center, Industrial Technology Research Institute (2021/02)

When demand exceeds supply, both sales volume and average selling price (ASP) have increased. According to WSTS statistics, the total sales in 2020 will reach 953.7 billion units, representing an increase of 2.3% over 2019; ASP in 2020 is US\$0.462, representing an increase of 4.4% over 2019.

From a regional perspective, sales in 2020 will continue to be concentrated in Asia Pacific, with Mainland China, plus Japan and other Asia Pacific regions, accounting for approximately 70% of total global sales (as shown in the figure below).



Source: WSTS ; Industry, Science and Technology International Strategy Center, Industrial Technology Research Institute (2021/02).

(ii) Overview of Taiwan's IC industry market

According to the research of ITRI (Institute of Industrial Science and Technology), the output value of Taiwan's IC industry will reach NT\$3,222.2 billion in 2020 (hereinafter the same), up 20.9% from 2019. Among them, the output value of IC design industry is NT\$852.9 billion, an increase of 23.1% compared to 2019. The IC manufacturing industry accounted for NT\$1,820.3 billion, up 23.7% from 2019, including NT\$1,629.7 billion (US\$55.1B) for wafer foundry, up 24.2% from 2019, NT\$190.6 billion (US\$6.4B) for memory and other manufacturing, up 19.4% from 2019, NT\$377.5 billion (US\$12.8B) for IC packaging, up 9.0% from 2019, and NT\$171.5 billion (US\$11.1%) for IC testing, up 11.1% from 2019.

(iii) DRAM market overview

Benefiting from the vigorous development of terminal market applications, the DRAM industry has a considerable prospect. According to the IC Insights' report, DRAM will be the type with the highest growth rate in the IC industry in 2021, and the annual growth rate of the DRAM market is estimated to reach 18%. In addition, due to the shortage of capacity, DRAM Exchange forecasts that DRAM prices will gradually increase in 2021 (see the table below). As an IC design company focusing on the DRAM industry, the Company will continue to monitor market dynamics and keep abreast of end-use applications and upstream quotes, including cell phones, Internet of Things, and smart wearable devices, in order to mutually benefit from customers and suppliers and flexibly respond to the challenges that come with them.

### Taiwan IC Industry Output Value in 2017~2021

Unit: In 100 million of NTD

	2017	Growth rate in 2017	2018	Growth rate in 2018	2019	Growth rate in 2019	2020	Growth rate in 2020	2021 (e)	Growth rate in 2021 (e)
<b>IC industry's output value</b>	24,623	0.5%	26,199	6.4%	26,656	1.7%	32,222	20.9%	34,981	8.6%
<b>IC Design</b>	6,171	-5.5%	6,413	3.9%	6,928	8.0%	8,529	23.1%	9,459	10.9%
IC manufacturing	13,682	2.7%	14,856	8.6%	14,721	-0.9%	18,203	23.7%	19,657	8.0%
Wafer foundry	12,061	5.0%	12,851	5.0%	13,125	2.1%	16,297	24.2%	17,675	8.5%
Memory and other manufacturing	1,621	-11.8%	2,005	23.7%	1,596	-20.4%	1,906	19.4%	1,982	4.0%
IC packaging	3,330	2.8%	3,445	3.5%	3,463	0.5%	3,775	9.0%	4,025	6.6%
IC testing	1,440	2.9%	1,485	3.1%	1,544	4.0%	1,715	11.1%	1,840	7.3%
<b>IC products' output value</b>	7,792	-6.9%	8,418	8.0%	8,524	1.3%	10,435	22.4%	11,441	9.6%
Global semiconductor market (US\$100m) and growth rate (%)	4,122	21.6%	4,688	13.7%	4,123	-12.0%	4,404	6.8%	4,883	10.9%

Source: TSIA; Industry, Science and Technology International Strategy Center, Industrial Technology Research. Institute

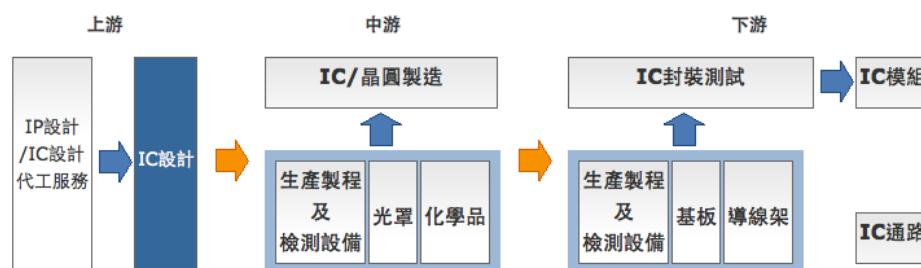
(2021/02); (e) indicates an estimate.

#### 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

Due to the low cost and large capacity of DRAM, many 3C electronic products use DRAM as the best solution for temporary storage of data. In the past, related products such as PC/NB and servers were the most important markets for DRAM. Today, driven by AI and the Internet of Things, the demand for DRAM has become more diversified. Among them, low power mobile DRAM with energy saving as the main feature has gradually 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

As wearable devices and Internet of Things applications driven by smart devices begin to flourish, memory will be very widely used in a variety of devices such as sensors, computers or smartphones. 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 cryptocurrency mining is generating hundreds of times more data computing and bandwidth demand than that of traditional computing devices, even driving the DRAM market to continue to fall short of demand. Among them, the popularity of AI has led to many technical architectures in terms of algorithms and even hardware architectures, including CPU, GPU, FPGA and ASIC architectures have been proposed to cope with the related AI architectures, different DRAMs have been generated to cope with the new applications, and the Blockchain technology behind cryptocurrency has been applied in various industries. Blockchain is a decentralized information storage technology that can be used in cyber security or financial

technology to ensure that data is not intercepted by third parties during the transmission process. It naturally improves efficiency and reduces costs in business activities in various industries by significantly reducing paperwork and speeding up transaction times. However, the decentralized ledger type data of Blockchain requires DRAM to assist in the computation of each storage point when accessing or changing data. The Company is also working closely with leading companies in this field to create a new page in 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.

Between the two, the IoT Division, based on Pseudo SRAM, focuses on the products of low power DRAM in mobile DRAM, and continues to develop various new product applications, customize designs according to customer needs, and produce known good dies or chips for sale to customers.

In the Pseudo SRAM market, the functional cell phone market continues to shrink due to the fact that they are replaced by smartphones, but the market still maintains a certain size. With the rise of applications for IoT-related edge devices such as the Internet of Things, wearable devices, data transmission, and sensors, they are gradually replacing the original application markets for functional cell phones and becoming the mainstream application fields. The Company will continue to actively invest in research and development resources on the basis of existing technologies to develop new applications for products.

In order to meet the requirements of performance, bandwidth and power consumption, the Company's AI Division is actively developing WoW 3D technology (VHM®) for heterogeneous wafers, and it is expected to reach mass production in the second half of 2021.

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 2019 and 2020, the amount of research and development expenses were NT\$313,161 thousand and NT\$313,530 thousand, respectively. In the first quarter of 2021, with the expansion of the R&D team and the continuous development of new products, in the first quarter of 2021, the R&D expenses have reached NT\$84,376 thousand. The Company has spared no effort in investing in R&D in order 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

- (1) Ultra-High-Speed OPI Pseudo-SRAM
- (2) Ultra-Low-Swing OPI Pseudo-SRAM
- (3) Very High-Bandwidth Memory (VHM®)

D. Status of the Company's existing patents

Patent	Countries where patents are approved for registration
SEMICONDUCTOR MEMORY DEVICE PROVIDED WITH DRAM CELL INCLUDING TWO TRANSISTORS AND COMMON CAPACITOR	USA
Circuit system with tightly decoupled structure	USA and Taiwan
MEMORY DEVICE AND MICROELECTRONIC PACKAGE HAVING THE SAME	USA
SEMICONDUCTOR MEMORY DEVICE COMPRISING AN INTERFACE CONFORMING TO JEDEC STANDARD AND CONTROL DEVICE THEREFOR	USA
CAPACITOR DEVICE AND MANUFACTURING METHOD THEREFOR	USA

(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 APM Group'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	2019		2020	
	Amount	Percentage	Amount	Percentage
China	1,482,079	43%	2,191,933	62%
Taiwan	683,216	20%	705,344	20%
Japan	629,988	19%	93,417	3%
Europe	184,935	5%	75,231	2%
America	11,073	0%	1,083	0%
Other	425,378	13%	482,489	13%
Total	3,416,669	100.00%	3,549,497	100.00%

#### B. Market shares

The Industrial Technology Research Institute (IEK) announces the total output value of Taiwan's IC design industry and it was NT\$945.9 billion in 2019. Based on the Company's consolidated net operating revenue in 2020, the Company's revenue accounts for 0.38% 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.

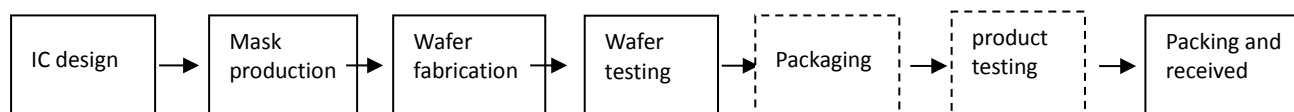
(2) Key applications and production processes of main products

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

	2019				2020				As of the first quarter-end of 2021			
	Name	Amount	As a percentage of the annual net purchase	Note	Name	Amount	As a percentage of the annual net purchase	Note	Name	Amount	As a percentage of the net purchase in the period	Note
1	CompanyA	1,231,494	92.16%	—	CompanyA	1,473,711	99.99%	—	Company A	592,145	100.00%	—
2	CompanyB	101,548	7.60%	—	—	—	—	—				—
3	Other	3,262	0.24%	—	Other	126	0.01%	—				—
Net purchase		1,336,304	100.00%			1,473,837	100.00%			592,145	100.00%	

Note: Relationship with the Company

Change analysis:

Since the first quarter of 2020, the global demand in the semiconductor industry started to far exceed the supply, and the demand in the memory market also increased quarter by quarter. Therefore, the Company's procurement value increased significantly in 2020 due to the strong end-user demand and stock-up demand.

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	2019				2020				As of the first quarter-end of 2021			
	Name	Amount	As a percentage of the annual net sales (%)	Note	Name	Amount	As a percentage of the annual net sales (%)	Note	Name	Amount	As a percentage of the net sales in the period (%)	Note
1	Customer C	530,775	15.53%	—	Customer B	855,620	24.11%	—	Customer B	364,608	27.66%	—
2	Customer A	387,996	11.36%	—	Customer A	383,139	10.79%	—	Customer D	121,637	9.91%	—
3	—	—	—	—	—	—	—	—	Customer A	116,973	9.53%	—
4	Other	2,497,898	73.11%	—	Other	2,310,738	65.10%	—	Other	623,987	50.85%	—
Net sales		3,416,669	100.00%			3,549,497	100.00%			1,227,205	100.00%	

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 end-use applications such as wearable devices and the Internet of Things in the IoT product line increased quarter by quarter in 2020, resulting in a significant increase in revenue from virtual static random access memory. The percentage of shipments related to the Internet of Things, such as wearable devices and LTE modems, increased and exceeded that of the shipments of functional cell phone applications, which in turn affected the changes in the percentages of the major customers in sales.

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

Unit: Thousand Pcs; In thousands of NTD

Year/ Production volume and value  Main products	2019			2020		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Memory IC chip	(Remark)	517,876	3,374,617	(Remark)	801,303	2,557,307
Total	(Remark)	517,876	3,374,617	(Remark)	801,303	2,557,307

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

Change analysis:

In 2020, the Company with the significant increase in demand for IoT product line related applications, the production mix has changed, with the production volume of PSRAM increasing significantly compared to LPDRAM, while a higher number of known good dies per wafer (i.e. the die to wafer ratio) can be produced and more 38nm wafers are used in PSRAM. The unit price of wafers is lower. As a result, although the output volume increased in 2020, the output value decreased.

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

Unit: Thousand Pcs; In thousands of NTD

Year/ Sales volume and value  Main Products	2019				2020			
	Domestic Sales		Exports		Domestic Sales		Exports	
	Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value
Memory IC chip	104,836	573,699	429,063	2,557,525	107,017	560,274	652,261	2,629,922
Service revenue	—	98,869	—	161,933	—	124,284	—	177,491
Other revenue	2,224	10,648	6,296	13,995	2,956	20,786	11,325	36,740
Total	107,060	683,216	435,359	2,733,453	109,973	705,344	663,586	2,844,153

Change analysis:

In 2020, the demand for memory products rebounded, and the Company's revenue increased slightly by 4%, while domestic sales and exports increased at the same time, as the Company focused its operations on customized memory products and reduced investment in standard products. The change in product sales mix has greatly increased the exported volume. The ratios of domestic sales and exports in 2020 had remained unchanged, compared with that in 2019.

3. Number of employees in the last two years

Unit: Number of persons; years; %

Year		2019	2020	March 31, 2021
Number of employees	Direct (Note)	0	0	0
	Indirect	116	129	136
	Total	116	129	136
Average age		37.4	37.3	37.6
Average service years (years)		3.40	3.47	3.54
Educational distribution ratio (%)	Ph.D.	5.17	4.65	4.41
	Master's	48.28	48.06	47.06
	University/College	46.55	47.29	48.53
	High school	0	0	0
	Below high school	0	0	0

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	Contract Term Dates	Main Content	Restrictive Clauses
Agency agreement	Agent A	It will remain in effect from 2020/07/08.	Consigning the agent to sell specific products under contractual conditions	Confidentiality clause
Technology license	Customer F	2020/8/1 ~ 2023/7/31	Authorizing the customer to use our technologies in specific areas	Confidentiality clause
Machine lease and purchase	Company E	2020/10/1 ~ 2023/9/30	Agreeing the lease and conditions of use for a certain number of specific testers	Confidentiality clause
Manufacturing consignment	Manufacturing firm S	2020/10/1 ~ 2023/9/30	Consigning suppliers to perform wafer testing and other processing	Confidentiality clause/ machine should be preferentially used for processing our products.
Supply and sales of products	Customer A	It will remain in effect from 2020/11/6.	The customer agrees to guarantee the purchase of a certain amount of specific products within a period of time in accordance with the agreement	Confidentiality clause
Product technology development and maintenance	Customer P	2020/6/1 ~ 2025/5/31	Conducting technical development for products with specific specifications	Confidentiality clause
Design consignment of manufacturing process platform	Company Alpha	2020/8/15 ~ 2025/8/14	Providing testing and verification services for WoW manufacturing process platform	Confidentiality clause
Share Purchase I	Eaglestream Technology Holdings (Hong Kong) Limited Powerchip Technology Corporation	Effective from 2019/12/16	Disposal of 24% equity interest in a sub-subsidiary	Buyer may exercise the compulsory purchase and sale right.
Share Purchase II	Eaglestream Technology Holdings (Hong Kong) Limited Powerchip Technology Corporation	Effective from 2020/11/8	Disposal of 76% equity interest in a sub-subsidiary	The sub-subsidiary's accounts payable to the parent company should be settled according to the repayment plan.

## 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

Unit: in thousands of MYR

Item \ Year		Financial information for the last five years					Financial information for the current year as of March 31, 2021
		2016	2017	2018	2019	2020	
Current assets		3,316,677	2,760,999	3,358,881	2,428,115	3,310,027	3,834,158
Property, plant and equipment		80,507	68,341	42,788	14,854	8,009	8,859
Intangible assets		189,928	178,706	199,070	183,913	35,103	28,832
Other assets		266,998	235,707	266,210	550,143	630,261	759,574
Total assets		3,854,110	3,243,753	3,866,949	3,177,025	3,983,400	4,631,423
Current liabilities	Pre-distribution	931,864	646,170	1,226,193	807,128	855,107	1,088,750
	Post-distribution	1,073,125	752,975	1,263,732	880,810	1,225,480 (Remark)	-
Non-current liabilities		16,802	241	2,285	207,340	25,323	78,523
Total liabilities	Pre-distribution	948,666	646,411	1,228,478	1,014,468	880,430	1,167,273
	Post-distribution	1,089,927	753,216	1,266,017	1,088,150	1,250,803 (Remark)	-
Total equity attributable to owners of parent company		2,546,586	2,597,342	2,638,471	2,162,557	3,102,970	3,464,150
Share capital		704,503	709,293	752,805	738,535	742,848	743,386
Capital reserve		792,513	826,272	851,282	838,388	1,020,722	1,031,493
Retained earnings	Pre-distribution	1,071,407	1,085,893	1,058,957	602,576	1,340,604	1,690,976
	Post-distribution	930,146	943,486	1,021,418	528,894	970,231 (Remark)	-
Other equity		(21,837)	(24,116)	(13,327)	(5,696)	10,042	9,541
Treasury shares		—	—	(11,246)	(11,246)	(11,246)	(11,246)
Non-controlling interests		358,858	—	—	—	—	-
Total equity	Pre-distribution	2,905,444	2,597,342	2,638,471	2,162,557	3,102,970	3,464,150
	Post-distribution	2,764,183	2,490,537	2,600,932	2,088,875	2,732,597 (Remark)	-

Remark: The Company's 2020 earnings distribution has been approved by the Board of Directors but has yet to be reported to the 2021 Regular Meeting of Shareholders.



## B. Standalone summary balance sheet

Unit: In thousands of NTD

Item \ Year		Financial information for the last five years				
		2016	2017	2018	2019	2020
Current assets		2,192,927	1,717,504	2,644,123	1,918,633	2,207,230
Investments accounted for using equity method		632,132	985,450	1,095,872	739,136	1,103,817
Property, plant and equipment		2,269	49,978	32,769	9,816	5,723
Intangible assets		11	497	32,452	28,858	13,973
Other assets		174,509	146,715	177,096	437,700	520,609
Total assets		3,001,848	2,900,144	3,982,312	3,134,143	3,851,352
Current liabilities	Pre-distribution	451,470	302,561	1,341,913	769,094	723,463
	Post-distribution	592,731	409,366	1,379,452	842,776	1,093,836 (Remark)
Non-current liabilities		3,792	241	1,928	202,492	24,919
Total liabilities	Pre-distribution	455,262	302,802	1,343,841	971,586	748,382
	Post-distribution	596,523	409,607	1,381,380	1,045,268	1,118,755 (Remark)
Total equity attributable to owners of parent company		2,546,586	2,597,342	2,638,471	2,162,557	3,102,970
Share capital		704,503	709,293	752,805	738,535	742,848
Capital reserve		792,513	826,272	851,282	838,388	1,020,722
Retained earnings	Pre-distribution	1,071,407	1,085,893	1,058,957	602,576	1,340,604
	Post-distribution	930,146	943,486	1,021,418	528,894	970,231 (Remark)
Other equity		(21,837)	(24,116)	(13,327)	(5,696)	10,042
Treasury shares		—	—	(11,246)	(11,246)	(11,246)
Non-controlling interests		—	—	—	—	—
Total equity	Pre-distribution	2,546,586	2,597,342	2,638,471	2,162,557	3,851,352
	Post-distribution	2,405,325	2,490,537	2,600,932	2,088,875	3,480,979 (Remark)

Remark: The Company's 2020 earnings distribution has been approved by the Board of Directors but has yet to be reported to the 2021 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, 2021
	2016	2017	2018	2019	2020	
Operating revenue	3,161,932	4,236,815	4,723,851	3,416,669	3,549,497	1,227,205
Operating gross profit	940,246	1,039,016	697,340	480,641	1,025,671	541,258
Operating profit and loss	524,380	432,509	89,876	(7,343)	519,746	393,474
Non-operating revenue and expenses	(18,868)	(114,708)	54,512	(347,014)	420,609	26,970
Net income (loss) before tax	505,512	317,801	144,388	(354,357)	940,355	420,444
Continuing operations' current income (loss) before tax	386,897	236,389	115,471	(322,973)	815,370	350,372
Loss from discontinued operation	—	—	—	(72,092)	5,613	—
Net income (loss) for current period	386,897	236,389	115,471	(395,065)	820,983	350,372
Other comprehensive income(loss) for the current period (Net income after tax)	(5,994)	(3,782)	2,369	(1,351)	11,060	(501)
Current total comprehensive income (loss)	380,903	232,607	117,840	(396,416)	832,043	349,871
Net income (loss) attributed to stockholders of the parent company	404,909	251,315	115,471	(395,065)	811,710	350,372
Net income (loss) attributed to non-controlling interests	(18,012)	(14,926)	—	—	9,273	—
Comprehensive income (loss) attributed to stockholders of the parent company	401,261	247,940	117,840	(396,416)	822,735	349,871
Comprehensive income (loss) attributed to non-controlling interests	(20,358)	(15,333)	—	—	9,308	—
Earnings (loss) per share (Remark)	5.78	3.41	1.55	(5.33)	11.00	4.73

Remark: It is after retrospective application.

B. Standalone 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				
	2016	2017	2018	2019	2020
Operating revenue	2,868,376	2,389,844	2,529,386	3,294,736	3,535,263
Operating gross profit	914,938	776,641	422,147	294,485	985,579
Operating profit and loss	581,598	428,751	(25,876)	(125,119)	534,198
Non-operating revenue and expenses	(72,384)	(96,885)	156,478	(300,973)	341,169
Net income (loss) before tax	509,214	331,866	130,602	(426,092)	875,367
Continuing operations' current income (loss) before tax	404,909	251,315	115,471	(395,065)	811,710
Loss from discontinued operation	—	—	—	—	—
Net income (loss) for current period	404,909	251,315	115,471	(395,065)	811,710
Other comprehensive income (loss) for the current period (Net income after tax)	(3,648)	(3,375)	2,369	(1,351)	11,025
Current total comprehensive income (loss)	401,261	247,940	117,840	(396,416)	822,735
Net income (loss) attributed to stockholders of the parent company	404,909	251,315	115,471	(395,065)	811,710
Net income (loss) attributed to non-controlling interests	—	—	—	—	—
Comprehensive income (loss) attributed to stockholders of the parent company	401,261	247,940	117,840	(396,416)	822,735
Comprehensive income (loss) attributed to non-controlling interests	—	—	—	—	—
Earnings (loss) per share (Note 1)	5.78	3.41	1.55	(5.33)	11.00

Note 1: It is after retrospective application.

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

Year	Accounting firm	CPAs	Audit opinions
2016	Deloitte & Touche, Taiwan	Jian Ming-Yan and Wei, Liang-Fa	Standard unqualified opinions
2017	Deloitte & Touche, Taiwan	Wei Liang-Fa and Chiu Zheng-Jun	Standard unqualified opinions
2018	Deloitte & Touche, Taiwan	Wei Liang-Fa and Chiu Zheng-Jun	Standard unqualified opinions
2019	Deloitte & Touche, Taiwan	Chiu Zheng-Jun and Wu Shi-Zong	Standard unqualified opinions
2020	Deloitte & Touche, Taiwan	Chiu Zheng-Jun and Wu Shi-Zong	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, 2021
		2016	2017	2018	2019	2020	
Financial structure	Debt ratio (%)	24.61	19.93	31.77	31.93	22.10	25.20
	Long-term capital ratio (%)	3,629.80	3,800.91	6,171.72	15,954.60	39,059.72	39,989.54
Solvency ratios	Current ratio (%)	355.92	427.29	273.93	300.83	387.09	352.16
	Quick ratio (%)	280.43	267.63	108.88	157.13	313.06	284.29
	Times interest earned	75,102	10,221	7,562	(7,806)	33,648	66,943
Operating performance	Accounts receivable turnover (times)	3.08	4.98	6.93	5.05	5.97	7.10
	Days' sales in accounts receivable	119	74	53	73	62	52
	Inventory turnover	4.56	3.40	2.47	1.67	2.36	3.36
	Accounts payable turnover ratio (times)	6.93	7.72	7.89	6.23	9.27	8.31
	Days' sales in inventory	81	108	148	220	155	109
	Fixed asset turnover ratio (times)	74.22	56.93	85.02	118.55	310.50	582.03
	Total assets turnover ratio (times)	1.07	1.19	1.33	0.97	0.99	1.14
Profitability	Return on total assets (%)	13.11	6.73	3.29	(11.12)	22.99	32.58
	Return on equity attributed to the owners of the parent company (%)	18.84	9.77	4.41	(16.46)	30.83	42.68
	Profit before tax to capital stock (%)	71.75	44.81	19.18	(47.98)	126.68	226.23
	Net profit margin (%)	12.24	5.58	2.44	(11.56)	23.13	28.55
	Earnings per share (NTD)	5.78	3.41	1.55	(5.33)	11.00	4.73
Cash flow	Cash flow ratio (%)	42.80	70.57	—	38.10	—	35.83
	Cash flow adequacy ratio (%)	86.85	88.37	48.42	43.95	41.18	62.52
	Cash flow reinvestment ratio (%)	2.85	11.87	—	10.86	—	10.66
Leverage	Operating leverage	1.49	2.03	6.30	—	1.74	1.30
	Financial leverage	1.00	1.01	1.02	0.62	1.01	1.00

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

1. The debt ratio decreased by 31%: It was mainly due to the premium disposal of a sub-subsidiary and the continued use of payment for purchases to offset the compensation payable arising from customer complaints, resulting in an increase in the total assets and a decrease in the total liabilities.
2. The long-term capital ratio increased by 145%: The effective changes in the Company's operating strategy, the significantly increased market demand for IoT-related applications, and the provision of AI-related intellectual property products and design services in 2020 resulted in significant improvement in the Company's financial performance, turning losses into profits, and increase in the equity. At the same time, the book value of property, plant and equipment decreased due to the provision of depreciation, which increased the long-term capital ratio by 145%.
3. The current ratio and quick ratio increased by 29% and 99%, respectively: It was mainly due to the capital injection generated by the premium disposal of a sub-subsidiary, resulting in a substantial increase in the Company's solvency.
4. The times interest earned increased by 531%: It was due to net loss before tax and interest in 2019; in 2020, under the change of operating strategy, the product portfolio changed significantly, focusing on high-margin customized memory products and AI intellectual property products and design services, and with the increase in market demand, and the financial performance turned to profit, so that the times interest earned increased significantly.
5. The inventory turnover increased by 42%, accounts payable turnover ratio increased by 49%, and days' sales in inventory decreased by 30%: In 2020, the Company actively eliminated slow-moving inventory and gradually reduced its investment in standard products under a change in operating strategy, resulting in a significant reduction in total inventories. As a result, the inventory turnover increased to 2.36 and the days' sales in inventory

decreased to 155 days. The accounts payable turnover ratio increased to 9.27 due to a decrease in the average accounts payable balance in 2020.

6. The fixed asset turnover ratio increased by 162%: It was mainly due to the decrease in the net value of property, plant and equipment due to the provision of depreciation expense in 2020.
7. The return on total assets increased by 307%, return on equity attributed 287%, profit before tax to capital stock increased by 364%, net profit margin increased by 300%, and earnings per share increased by 306%: In 2019, due to provision of the huge loss arising from customer complaints, unfavorable macroeconomic environment, weak memory market demand and high inventory levels, the Company suffered net losses due to unsatisfactory operating conditions, resulting in decreases in profitability related ratios to be negative values. In 2020, the Company actively eliminated slow-moving inventory and focused on high-margin customized memory products, AI intellectual property products, and design services under a change in operating strategy, and with the increase in market demand and the Company's efforts to reduce expenses, the financial results turned losses into profits and the related profitability ratios increased significantly.
8. Both the cash flow ratio and cash reinvestment ratio decreased by 100%: The Company's operating activities in 2020 were net cash outflow, so the cash flow ratio and cash reinvestment ratio were both zero. The net cash outflow from operating activities in 2020 was mainly due to the Company's investment of idle funds in fund beneficiary certificates, totaling approximately NT\$900 million.
9. The operating leverage and the financial leverage: The operating leverage and the financial leverage increased to 1.74 and 1.01, respectively, as the Company turned a loss into a profit in 2020.

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

1. The times interest earned increased 99%: In 1Q2021, driven by strong demand for Internet of Things-related end-use applications such as wearable devices, smart audio, microprocessor controllers, LTE modems and wireless transmission technologies, memory demand increased significantly, the Company's profitability also increased significantly, resulting in an increase of 99% in the times interest earned.
2. The inventory turnover increased by 43% and days' sales in inventory decreased by 30%: With the imbalance in global semiconductor's supply and demand since the second half of 2020, the Company's wafer foundry capacity has been constrained. With the continuous increase in terminal demand, the Company's inventory level was slightly lower, causing the inventory turnover rate to increase to 3.36 and the days' sales in inventory down to 109 days.
3. Property, plant and equipment turnover increased by 87%: This was mainly due to the significant increase in revenue in 1Q2021, which translated into an annual increase of 38% in revenue, compared to 2020.
4. Return on assets increased by 42%, return on equity increased by 37%, net income before tax to paid-in capital ratio increased by 79%, net profit margin increased by 23%, and earnings per share increased: In 1Q2021, driven by strong demand in the memory end-use application market, the demand for memory increased significantly and the Company's financial performance improved, resulting in significant increases in the related profitability ratios.
5. Cash flow ratio increased: In 1Q2021, with improved financial performance, net cash inflow from operating activities was NT\$390,125,000, resulting in an increase in cash flow ratio, with cash flow adequacy ratio and cash flow reinvestment ratio increasing to 35.83%, 62.52% and 10.66%, respectively.
6. Operating leverage increased by 25%: In 1Q2021, the Company focused on high-margin customized memory products, and also recognized part of the revenue from design services and royalty revenue of AI intellectual property product, with 100% gross profit, and thus the operating leverage increased to 1.3 times, with a significant increase in operating profit.

## (2) Standalone financial analysis

Item		Year	Financial information for the last five years				
			2016	2017	2018	2019	2020
Financial structure	Debt ratio (%)		15.17	10.44	33.75	31.00	19.43
	Long term funds to fixed assets ratio (%)		112,400.97	5,197.45	8,057.61	24,093.82	54,654.71
Solvency ratios	Current ratio (%)		485.73	567.66	197.04	249.47	305.09
	Quick ratio (%)		413.71	402.33	72.73	121.28	218.64
	Times interest earned		—	62,953	139,038	(11,995)	50,787
Operating performance	Accounts receivable turnover (times)		2.98	3.40	5.72	6.12	5.10
	Days' sales in accounts receivable		123	108	64	60	72
	Inventory turnover		7.71	3.55	1.79	2.04	2.60
	Accounts payable turnover ratio (times)		8.01	7.39	3.99	4.55	7.99
	Days' sales in inventory		47	103	203	179	140
	fixed asset turnover ratio (times)		877.85	91.48	61.14	154.74	455.02
	Total assets turnover ratio (times)		1.13	0.81	0.74	0.93	1.01
Profitability	Return on total assets (%)		15.98	8.53	3.36	(11.02)	23.28
	Return on equity (%)		18.84	9.77	4.41	(16.46)	30.83
	Profit before tax to capital stock (%)		72.28	46.79	17.35	(57.69)	117.92
	Net profit margin (%)		14.12	10.52	4.57	(11.99)	22.96
	Earnings per share (NTD)		5.78	3.41	1.55	(5.33)	11.00
Cash flow	Cash flow ratio (%)		70.45	199.56	—	—	10.89
	Cash flow adequacy ratio (%)		80.49	91.21	49.21	34.71	34.07
	Cash flow reinvestment ratio (%)		0.15	17.66	—	—	0.16
Leverage	Operating leverage		1.28	1.48	—	—	1.49
	Financial leverage		1.00	1.00	1.00	0.97	1.00

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

- The debt ratio decreased by 37%: It was mainly due to a subsidiary's premium disposal of a sub-subsidiary and the continued use of payment for purchases to offset the compensation payable arising from customer complaints, resulting in an increase in the total assets and a decrease in the total liabilities.
- The long-term capital ratio increased by 127%: The effective changes in the Company's operating strategy, the significantly increased market demand for IoT-related applications, and the provision of AI-related intellectual property products and design services in 2020 resulted in significant improvement in the Company's financial performance, turning losses into profits, and increase in the equity. At the same time, the book value of property, plant and equipment decreased due to the provision of depreciation, which increased the long-term capital ratio by 127%.
- The current ratio and quick ratio increased by 22% and 80%, respectively: The Company's financial performance improved significantly as a result of the continued depletion of inventories and rising market demand. With a decrease in net inventories and an increase in overall current assets, the Company's solvency increased substantially.
- The times interest earned increased by 523%: It was due to net loss before tax and interest in 2019; in 2020, under the change of operating strategy, the product portfolio changed significantly, focusing on high-margin customized memory products and AI intellectual property products and design services, and with the increase in market demand, and the financial performance turned to profit, so that the times interest earned increased significantly.
- Days' sales in receivables increased by 20%: In 2020, the Company's product sales mix and customer portfolio changed significantly due to the change in operating strategy and the increase in demand in the Internet of Things (IoT) end-application market, and the Company granted longer credit terms to its subsidiaries in response to the Group's funding planning. As a result, the days' sales in receivables number of increased to 72 days.
- The inventory turnover increased by 28%, accounts payable turnover ratio increased by 76%, and days' sales in inventory decreased by 22%: In 2020, the Company actively eliminated slow-moving inventory and gradually reduced its investment in standard products under a change in operating strategy, resulting in a significant reduction in total inventories. As a result, the inventory turnover increased to 2.60 and the days' sales in inventory decreased to 140 days. The accounts payable turnover ratio increased to 7.99 due to a decrease in the average accounts payable balance in 2020.
- The fixed asset turnover ratio increased by 194%: It was mainly due to the decrease in the net value of property, plant and equipment due to the provision of depreciation expense in 2020.
- The return on total assets increased by 311%, return on equity increased by 287%, profit before tax to capital stock increased by 304%, net profit margin increased by 291%, and earnings per share increased by 306%: In 2019, due to provision of the huge loss arising from customer complaints, unfavorable macroeconomic environment, weak memory market demand and high inventory levels, the Company suffered net losses due to unsatisfactory operating conditions, resulting in decreases in profitability related ratios to be negative values. In 2020, the Company actively eliminated slow-moving inventory and focused on high-margin customized memory products, AI intellectual property products, and design services under a change in operating strategy, and with the increase in market demand and the Company's efforts to reduce expenses, the financial results turned losses into profits and the related profitability ratios increased significantly.
- Both the cash flow ratio and cash reinvestment ratio increased: The Company's cash flow ratio and cash reinvestment ratio increased to 10.89% and 0.16%, respectively, in 2020 due to improved profitability and net cash inflow from operating activities.
- The operating leverage increased: The operating leverage increased to 1.49, as the Company turned a loss into a profit in 2020.

The above financial ratios are calculated as follows:

1. Financial structure

- (1) Debt ratio =  $\text{Total liabilities} / \text{total assets}$ .
- (2) Long term funds to fixed assets ratio =  $(\text{Total equity} + \text{long-term borrowings}) / \text{net fixed assets}$ .

2. Solvency ratios

- (1) Current ratio =  $\text{Current assets} / \text{current liabilities}$
- (2) Quick ratio =  $(\text{Current assets} - \text{inventories} - \text{prepaid expenses}) / \text{current liabilities}$ .
- (3) Times interest earned =  $\text{Net income before tax and interest expense} / \text{current interest expense}$ .

3. Operating performance

- (1) Accounts receivable turnover (Including accounts receivable and notes receivable arising from operations) =  $\text{Net sales} / \text{average balance of accounts receivable (Including accounts receivable and notes receivable arising from operations)}$ .
- (2) Days' sales in accounts receivable =  $365 / \text{accounts receivable turnover}$
- (3) Inventory turnover =  $\text{Cost of goods sold} / \text{average inventory}$
- (4) Accounts payable turnover ratio (Including accounts payable and notes payable arising from operations) =  $\text{Cost of goods sold} / \text{average balance of accounts payable (Including accounts payable and notes payable arising from operations)}$
- (5) Days' sales in inventory =  $365 / \text{average inventory turnover}$
- (6) Fixed asset turnover ratio =  $\text{Net sales} / \text{net property plant and equipment}$
- (7) Total assets turnover ratio =  $\text{Net sales} / \text{total assets}$

4. Profitability

- (1) Return on total assets =  $[\text{Profit and loss after tax} + \text{interest expenses} \times (1 - \text{tax rate})] / \text{average total assets}$
- (2) Return on equity =  $\text{Profit and loss after tax} / \text{average net equity}$
- (3) Net profit margin =  $\text{Profit and loss after tax} / \text{net sales}$
- (4) Earnings per share =  $(\text{Net income after tax} - \text{preferred share dividends}) / \text{weighted average number of issued shares}$

5. Cash flow

- (1) Cash flow ratio =  $\text{Net cash flow from operating activities} / \text{current liabilities}$
- (2) Cash flow adequacy ratio =  $\text{Net cash flow from operating activities in the last five years} / (\text{capital expenditures} + \text{increase in inventories} + \text{cash dividends in the last five years})$
- (3) Cash flow reinvestment ratio =  $(\text{Net cash flow from operating activities} - \text{cash dividends}) / (\text{gross property, plant, and equipment} + \text{long-term investment} + \text{other non-current assets} + \text{working capital})$

6. Leverage

- (1) Operating leverage =  $(\text{Net operating revenue} - \text{variable operating costs and expenses}) / \text{operating income}$
- (2) Financial leverage =  $\text{Operating income} / (\text{operating income} - \text{interest expenses})$

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

## Audit Committee's Audit Report

To: 2021 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, Shu

March 12, 2021



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

Please refer to pages 83 to 155.

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

Please refer to pages 156 to 232.

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 2020 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	2019	2020	Difference	
			Amount	%
Current assets	2,428,115	3,310,027	881,912	36
Property, plant and equipment	14,854	8,009	(6,845)	(46)
Intangible assets	183,913	35,103	(148,810)	(81)
Other assets	550,143	630,261	80,118	15
Total assets	3,177,025	3,983,400	806,375	25
Current liabilities	807,128	855,107	47,979	6
Non-current liabilities	207,340	25,323	(182,017)	(88)
Total liabilities	1,014,468	880,430	(134,038)	(13)
Share capital	738,535	742,848	4,313	1
Capital reserve	838,388	1,020,722	182,334	22
Retained earnings	602,576	1,340,604	738,028	122
Other equity	(5,696)	10,042	15,738	276
Treasury shares	(11,246)	(11,246)	-	-
Total shareholders' equity	2,162,557	3,102,970	940,413	43

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: It was mainly due to the capital injection from the disposal of a sub-subsidiary at a premium.
- (2) Decrease in intangible assets: It was due to the decrease in goodwill and other intangible assets arising from the reduction in the premium proceeds of the original cash acquisition for the disposal of the subsidiaries.
- (3) Decrease in non-current liabilities: It was mainly due to the Company's continued offsetting the compensation payable arising from customer complaints from the payment for purchase.
- (4) Increase in capital reserve: It was mainly due to the difference between the price and the book value of the equity arising from the disposal of a subsidiary.
- (5) Increase in retained earnings and total shareholders' equity: It was mainly due to the significant improvement in financial performance as a result of turning a loss into a profit in the current year.
- (6) Increase in other equity: It was mainly due to the change in exchange rates, so the exchange differences from the conversion of the financial statements of foreign operating companies became positive.

## 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	2019	2020	Increase (decrease)	Change ratio (%)
Net operating revenue	3,416,669	3,549,497	132,828	4
Operating costs	2,936,028	2,523,826	(412,202)	(14)
Gross profit	480,641	1,025,671	545,030	113
Operating expenses	487,984	505,925	17,941	4
Net operating profit (loss)	(7,343)	519,746	527,089	7178
Non-operating revenue and expenses	(347,014)	420,609	767,623	221
Income (loss) from continuing operation before income tax	(354,357)	940,355	1,294,712	365
Income tax (benefit) expenses	(31,384)	124,985	156,369	498
Net income (loss) from continuing operation	(322,973)	815,370	1,138,343	352
Income (loss) from discontinued operation	(72,092)	5,613	77,705	108
Net income (loss) from the current period	(395,065)	820,983	1,216,048	308
Other comprehensive income	(1,351)	11,060	12,411	919
Total comprehensive income	(396,416)	832,043	1,228,459	310
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) Gross profit, net operating profit (loss), income (loss) from continuing operation before income tax, net income (loss) from continuing operation, net income (loss) from the current period, and total comprehensive income: In 2020, the Company actively eliminated slow-moving inventories and focused on high-margin customized memory products, AI intellectual property products, and design services under a change in operating strategy, and with the increase in market demand and the Company's efforts to reduce expenses, and thus the Company's financial results turned losses into profits and profits increased significantly.				
(2) It was mainly due to the recognition of the gain on disposal of a sub-subsidiary.				
(3) Increase in income tax expenses: It was due to the income tax expense resulting from the change from loss to profit for the current year.				
(4) Increase in income from discontinued operation: It was mainly due to the stabilization of memory market prices, driving the increase in revenue of standard products.				
(5) Increase in other comprehensive income: It was mainly due to the change in exchange rates, so the exchange differences from the conversion of the financial statements of foreign operating companies became positive.				

- (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	2019	2020	Increase (decrease)
Operating activities	307,496	(181,656)	(489,152)
Investing activities	(12,539)	358,823	371,362
Financing activities	(259,868)	(97,456)	162,412
Impact of exchange rate changes	(2,870)	(1,008)	1,862
Net cash inflow (outflow)	32,219	78,703	46,484

#### Analysis of changes in cash flows:

- (1) The decrease in the inflow from operating activities was mainly due to the increase in financial assets measured at fair value through profit and loss in 2020.
- (2) The increase in the inflow from investing activities was mainly due to the net cash inflow from the disposal of a subsidiary in 2020.
- (3) The decrease in outflow from financing activities was mainly due to the cash inflow generated from the disposal of shares of a subsidiary (without loss of control) in 2020.

(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 (2021): None.

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

The Company is an IC design company and has no need to purchase major equipment or plants. However, because the demand in the global semiconductor industry in 2021 far exceeds the existing supply, the shortage of supply in the next two years 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 plans to purchase some testing machines to meet the strong demand pull from end customers.

#### 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 2020	Main reasons	Improvement plan
AP Memory Corp, USA	(982)	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	6,284	Provide local pre-sales and post-sales services to existing and potential customers in China, and develop products suitable for the local market. It has been the main distribution base in China since last year.	

AP Memory Technology (Hong Kong) Co. Limited	9	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.
AP MEMORY HOLDING Co., Ltd.	(2,702)	Through this subsidiary, the Company invests in AP Electronics (Beijing) Co.	In response to the Group's operating planning, it does not plan to invest additional resources, the Company sold all held shares of AP MEMORY HOLDING Co., Ltd. on March 20, 2020, and lost the control of AP Electronics (Beijing) Co. which is 100% owned by AP MEMORY HOLDING Co., Ltd.
AP Electronics (Beijing) Co.	(2,710)	Continue to expand business opportunities in the Chinese market.	
Zentel Electronics Corporation	319,285	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, Zenetl Japan Corp.	Scale down operations to avoid over-dispersion of resources.
Zentel Japan Corp.	29,637	Customers in the standard memory market are gradually shifting direct orders to this subsidiary for shipment. As the DRAM quotation stabilizes, although price fluctuations are still severe and the gross profit margin of standard products is low, the subsidiary's operating results are still turning from loss to profit.	In response to the adjustment of the Group's operating strategy, the standard memory market business is faded out. Therefore, Zentel Electronics Corporation sold 24% of Zentel Japan Corp.'s shares on January 2, 2020, and sold the remaining equity on November 30, 2020.

(3) Investment plan for the coming year

In response to the change of the Company's operating strategy, the Company has faded out from the standard memory market and focused on two major product lines, IoT and AI. Therefore, the Company has already made preliminary adjustment plans for the invested companies. 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\$4,482 thousand and NT\$2,803 thousand in 2019 and 2020, which accounted for 0.13% and 0.08% 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 2019 and 2020, the interest revenue amounted to NT\$3,630 thousand and NT\$6,348 thousand, representing 0.11% and 0.18% 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\$11,370 thousand and NT\$61,870 thousand in 2019 and 2020, respectively, which accounted for 0.33% and 1.74% 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	This patent infringement litigation is currently under trial at the third instance court.

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 and non-progressive 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, and the verdict may be adjusted, and it is difficult to assess the final amount of damages incurred by Zentel Electronics.

The plaintiff appealed to the third instance court in November 2019, and the trial is still in progress. As the verdict may be adjusted, it is difficult to assess the final amount of damages incurred by Zentel Electronics.

(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.

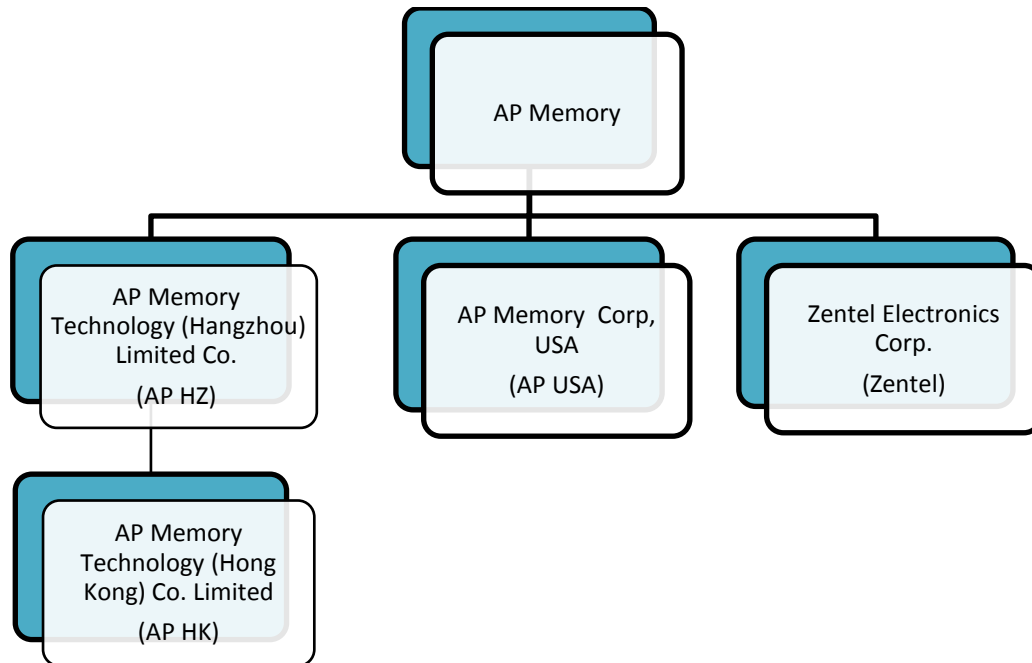
7. Other important matters: None.

## 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, 2020; Unit: In thousands of NTD, USD, JPY

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
AP HZ	2018.06	Room 2007 and 2008, 20th Floor, Building 1, No.1782, Jiangling Road, Xixing Street, Binjiang District, Hangzhou City, Zhejiang Province	US\$ 1,000	Design, development and sales of integrated circuits
Zentel	2002.12	10F.-1, No. 1, Taiyuan 1st St., Zhubei City, Hsinchu County, Taiwan (R.O.C.)	NTD\$ 400,000	Development, research and sales of integrated circuits
AP HK	2019.10	Rm.19C, Lockhart Ctr., 301-307 Lockhart Rd., Wan Chai, Hong Kong.	- (Remark)	Sales of integrated circuits

Remark: The establishment of the subsidiary has been completed, but the actual capital contribution has not yet been made.

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, 2020; 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 (Remark)	—	—
AP HZ	Director	Hung, Chih-Hsun (Remark)	—	—
	Supervisor	Chen, Wen-Liang (Remark)	—	—
	President	Fan, Yu-Chuan	—	—
Zentel	Chairman	Lin, Han-Chih (Remark)	—	—
AP HK	Director	Hung, Chih-Hsun (Remark)		

Remark: 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, 2020 / Fiscal year of 2020

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	67,459	24,214	43,245	64,256	(1,036)	(982)	-
AP-Holding (Remark 1)	US\$ 1,000	-	-	-	-	(27)	(2,702)	-
AP-Beijing (Remark 1)	US\$ 850	-	-	-	-	(2,721)	(2,710)	-
AP HZ	US\$ 1,000	160,371	135,498	24,873	208,097	(6,454)	6,284	-
Zentel	400,000	1,017,812	62,018	955,794	120,548	(62,401)	462,615	11.57
Zentel Japan Corp. (Remark 2)	JPY 1,774,924	-	-	-	1,514,895	26,585	38,641	-
AP-Japan (Remark 3)	-	-	-	-	-	-	-	-
AP HK (Remark 4)	-	169,281	169,272	9	256,192	9	9	-

- Remark 1: On March 2, 2020, the Company resolved to sell 100% of AP MEMORY HOLDING Co., Ltd.'s (referred to as "AP-HOLDING") shares, and on March 20, 2020, the Company completed the settlement of the shares for NT\$6,946 thousand. At the same time, the Company lost control of AP Electronics (Beijing) Co., Ltd.'s (referred to as "AP Beijing") shares which were 100% held by AP-HOLDING.
- Remark 2: On January 2, 2020, 24% of Zentel Japan Corp.'s shares were sold for NT\$180,460 thousand, and the settlement of the remaining 76% of Zentel Japan Corp.'s shares was completed for NT\$656,869 thousand on November 30, 2020.
- Remark 3: AP Memory Japan G.K. (referred to as "AP Japan") was dissolved on September 18, 2020, and registration was completed on November 2, 2020.
- Remark 4: The actual capital injection has not yet been made.

(2) Consolidated financial statements of affiliated enterprises: Please refer to page 73.

(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, 2020 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.

Chairman and President:

Chen, Wen-Liang

Date: March 12, 2021

## 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 Subsidiaries (hereinafter referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, 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, 2020 and 2019, 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 generally accepted 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 2020. 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.

### Assessment of Allowance for Inventory Falling Price Loss

As of December 31, 2020, the carrying amount of the Group's inventories was NTD625,055, 000, which is a significant amount that accounts for 16% of the Group's total consolidated assets. As determining related allowance for inventory falling price loss is subject to management's judgement and the management of physical inventories as described in Note 4 (6) and Note 5 of the Group's consolidated financial statements, plus market competition can affect the estimation of the net realizable value of inventory, we considered the allowance for inventory falling price loss as a key audit matter.

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

1. Understand inventory management related internal control systems and evaluate the design and implementation thereof.
2. Observe the annual inventory count to understand the status of slow-moving and damaged inventory; and further confirm whether to set relative loss of inventory falling price aside.
3. A test is carried out with the "Inventory Aging Report" and "Net Realizable Value of Inventories Report" used for the assessment. The test includes the verification of the report integrity and net realizable value; and recalculations for verifying the accuracy of related reports. In the meantime, a retrospective test is also carried out based on impairment loss incurred in the previous fiscal year and whether such loss will incur in the following years.

### **Other Matters**

We have also audited the parent company only financial statements of AP Memory Technology Corporation as of and for the year ended 2020 and 2019 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 generally accepted 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 generally accepted in the Republic of China, we exercise professional judgment and maintain 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 2020 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

CPA Chiu, Cheng-Chun

CPA Wu, Shih-Tsung

Date: March 12, 2021

AP Memory Technology Corporation and Subsidiaries  
Consolidated Balance Sheets  
As of December 31, 2020 and 2019

(In Thousands of New Taiwan Dollars)

Code	Assets	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 662,967	17	\$ 584,264	18
1110	Financial assets at fair value through profit or loss - Current (Notes 4 and 7)	930,536	23	30,003	1
1136	Financial assets at amortized cost - Current (Notes 4, 8 and 33)	60,215	1	3,225	-
1170	Accounts receivable (Notes 4, 9, 23 and 32)	600,601	15	588,346	18
1200	Other receivables (Notes 4 and 9)	401,777	10	60,134	2
1220	Current tax assets (Note 4)	20,453	1	-	-
1310	Inventories (Notes 4, 5 and 10)	625,055	16	1,130,802	36
1470	Other current assets (Note 18)	8,423	-	31,341	1
11XX	Total current assets	<u>3,310,027</u>	<u>83</u>	<u>2,428,115</u>	<u>76</u>
	Non-current assets				
1510	Financial assets at fair value through profit or loss - Non-current (Notes 4 and 7)	68,016	2	45,179	1
1540	Financial assets at amortized cost - Non-current (Notes 4 and 8)	5,865	-	6,080	-
1550	Investments accounted for using equity method (Notes 4 and 13)	79,905	2	82,525	3
1600	Property, plant and equipment (Notes 4 and 14)	8,009	-	14,854	1
1755	Right-of-use assets (Notes 4 and 15)	46,096	1	23,026	1
1805	Goodwill (Notes 4 and 16)	-	-	76,204	2
1821	Other intangible assets (Notes 4 and 17)	35,103	1	107,709	3
1840	Deferred tax assets (Notes 4 and 25)	78,811	2	74,075	2
1915	Prepayments for business facilities	1,869	-	2,844	-
1920	Refundable deposits (Note 20)	208,547	5	206,686	7
1995	Other non-current assets (Note 18)	141,152	4	109,728	4
15XX	Total non-current assets	<u>673,373</u>	<u>17</u>	<u>748,910</u>	<u>24</u>
1XXX	Total assets	<u>\$ 3,983,400</u>	<u>100</u>	<u>\$ 3,177,025</u>	<u>100</u>
Code	Liabilities and equity	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	Current liabilities				
2100	Short-term loans (Note 19)	\$ 130,613	3	\$ 300,000	9
2170	Accounts payable	236,934	6	307,382	10
2200	Other payables (Notes 20 and 32)	332,738	8	142,760	5
2230	Current tax liabilities (Note 4)	132,617	3	108	-
2280	Lease liabilities - Current (Notes 4 and 15)	19,830	1	13,153	-
2300	Other current liabilities (Notes 20 and 23)	2,375	-	43,725	1
21XX	Total current liabilities	<u>855,107</u>	<u>21</u>	<u>807,128</u>	<u>25</u>
	Non-current liabilities				
2570	Deferred tax liabilities (Notes 4 and 25)	233	-	3,602	-
2580	Lease liabilities - Non-current (Notes 4 and 15)	25,090	1	8,974	1
2612	Long-term payables (Note 20)	-	-	194,764	6
25XX	Total non-current liabilities	<u>25,323</u>	<u>1</u>	<u>207,340</u>	<u>7</u>
2XXX	Total liabilities	<u>880,430</u>	<u>22</u>	<u>1,014,468</u>	<u>32</u>
	Equity (Notes 4, 22, 27 and 29)				
	Share capital				
3110	Ordinary share	742,316	19	738,535	23
3140	Advance receipts for ordinary share	532	-	-	-
3100	Total shares	<u>742,848</u>	<u>19</u>	<u>738,535</u>	<u>23</u>
3200	Capital surplus	<u>1,020,722</u>	<u>25</u>	<u>838,388</u>	<u>26</u>
	Retained earnings				
3310	Legal reserve	282,992	7	282,992	9
3320	Special reserve	4,576	-	3,225	-
3350	Unappropriated earnings	1,053,036	27	316,359	10
3300	Total retained earnings	<u>1,340,604</u>	<u>34</u>	<u>602,576</u>	<u>19</u>
	Other equity				
3410	Exchange differences on translation of foreign financial statements	10,042	-	( 4,576 )	-
3490	Unearned compensation cost	-	-	( 1,120 )	-
3400	Total other equity	<u>10,042</u>	<u>-</u>	<u>( 5,696 )</u>	<u>-</u>
3500	Treasury shares	( 11,246 )	-	( 11,246 )	-
31XX	Total equity attributable to shareholders of the Group	<u>3,102,970</u>	<u>78</u>	<u>2,162,557</u>	<u>68</u>
3XXX	Total equity	<u>3,102,970</u>	<u>78</u>	<u>2,162,557</u>	<u>68</u>
	Total liabilities and equity	<u>\$ 3,983,400</u>	<u>100</u>	<u>\$ 3,177,025</u>	<u>100</u>

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

AP Memory Technology Corporation and Subsidiaries  
Consolidated Statements of Comprehensive Income  
For the years ended December 31, 2020 and 2019

(In Thousands of New Taiwan Dollars,  
except earning/ deficit per share)

Code		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (Notes 4, 23 and 32)	\$ 3,549,497	100	\$ 3,416,669	100
5000	Operating costs (Notes 10 and 24)	<u>2,523,826</u>	<u>71</u>	<u>2,936,028</u>	<u>86</u>
5900	Gross profit	<u>1,025,671</u>	<u>29</u>	<u>480,641</u>	<u>14</u>
	Operating expense (Notes 4 and 24)				
6100	Selling expense	86,707	2	85,491	3
6200	Administrative expense	103,602	3	86,488	3
6300	Research and development expense	313,530	9	313,161	9
6450	Expected credit loss	<u>2,086</u>	<u>-</u>	<u>2,844</u>	<u>-</u>
6000	Total operating expense	<u>505,925</u>	<u>14</u>	<u>487,984</u>	<u>15</u>
6900	Net operating income (loss)	<u>519,746</u>	<u>15</u>	<u>( 7,343 )</u>	<u>( 1 )</u>
	Non-operating income and expense				
7190	Other income	6,315	-	392	-
7060	Share of other comprehensive income of associates, accounted for using equity method (Notes 4 and 13)	4,948	-	8,605	-
7100	Interest income (Note 4)	6,348	-	3,630	-
7510	Interest expense	( 2,803 )	-	( 4,482 )	-
7020	Other gains and losses (Notes 4 and 24)	409,400	12	( 355,159 )	( 10 )
7880	Miscellaneous expenses	( <u>3,599</u> )	<u>-</u>	<u>-</u>	<u>-</u>
7000	Total non-operating income and expense	<u>420,609</u>	<u>12</u>	<u>( 347,014 )</u>	<u>( 10 )</u>
7900	Profit (loss) from continuing operations before tax	940,355	27	( 354,357 )	( 11 )
7950	Income tax expense recognized in profit or loss (Notes 4 and 25)	( <u>124,985</u> )	( <u>4</u> )	<u>31,384</u>	<u>1</u>
8000	Profit (loss) from continuing operations in the year	815,370	23	( 322,973 )	( 10 )

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Code		2020		2019	
		Amount	%	Amount	%
8100	Profit (loss) from discontinued operations (Note 11)	<u>5,613</u>	<u>-</u>	( <u>72,092</u> )	( <u>2</u> )
8200	Net profit (loss) for the year	<u>820,983</u>	<u>23</u>	( <u>395,065</u> )	( <u>12</u> )
	Other comprehensive income (Notes 4 and 22)				
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign financial statements	<u>11,060</u>	-	( <u>1,351</u> )	-
8300	Other comprehensive income for the year (net after income tax)	<u>11,060</u>	-	( <u>1,351</u> )	-
8500	Total comprehensive income for the year	<u>\$ 832,043</u>	<u>23</u>	( <u>\$ 396,416</u> )	( <u>12</u> )
	Net profit (loss) attributed to:				
8610	The Company's shareholders	\$ 811,710	23	( \$ 395,065 )	( 12 )
8620	Non-controlling interest (Notes 11, 22 and 29)	<u>9,273</u>	<u>-</u>	<u>-</u>	<u>-</u>
8600		<u>\$ 820,983</u>	<u>23</u>	( <u>\$ 395,065</u> )	( <u>12</u> )
	Comprehensive income attributed to:				
8710	The Company's shareholders	\$ 822,735	23	( \$ 396,416 )	( 12 )
8720	Non-controlling interest (Notes 11, 22 and 29)	<u>9,308</u>	<u>-</u>	<u>-</u>	<u>-</u>
8700		<u>\$ 832,043</u>	<u>23</u>	( <u>\$ 396,416</u> )	( <u>12</u> )
	Earnings (losses) per share (Note 26)				
	From continuing and discontinued operations				
9750	Basic	<u>\$ 11.00</u>		( <u>\$ 5.33</u> )	
9850	Diluted	<u>\$ 10.84</u>		( <u>\$ 5.33</u> )	
	From continuing operations				
9710	Basic	<u>\$ 11.05</u>		( <u>\$ 4.36</u> )	
9810	Diluted	<u>\$ 10.89</u>		( <u>\$ 4.36</u> )	

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

AP Memory Technology Corporation and Subsidiaries  
Consolidated Statements of Changes in Equity  
For the years ended December 31, 2020 and 2019

(In Thousands of New Taiwan Dollars)

		Ordinary share (Notes 4 and 21)				Capital surplus (Notes 4, 22,	Retained earnings (Notes 4 and 22)				Other equity interest (Notes 4, 11, 22 and 27)				Total equity attributed to the Company's shareholders	Non-controlling interest (Notes 11 and 29)	Total equity
Code		Number of shares (in thousands)	Amount	Advance receipts for ordinary share	Total shares	27 and 29)	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translating the financial statements of foreign operations	Unearned compensation cost	Total	Treasury shares (Notes 4 and 23)			
A1	Balance at January 1, 2019	75,280	\$ 752,805	\$ -	\$ 752,805	\$ 851,282	\$ 271,445	\$ 5,594	\$ 781,918	\$ 1,058,957	( \$ 3,225 )	( \$ 10,102 )	( \$ 13,327 )	( \$ 11,246 )	\$ 2,638,471	\$ -	\$ 2,638,471
	Appropriation and distribution of earnings for the year 2018																
B1	Legal reserve	-	-	-	-	-	11,547	-	( 11,547 )	-	-	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	-	-	( 2,369 )	2,369	-	-	-	-	-	-	-	-
B5	Cash dividends distributed by the Corporation	-	-	-	-	-	-	-	( 37,539 )	( 37,539 )	-	-	-	-	( 37,539 )	-	( 37,539 )
T1	Compensation cost for employee share options	-	-	-	-	3,172	-	-	-	-	-	-	-	-	3,172	-	3,172
D1	Net profit for the year 2019	-	-	-	-	-	-	-	( 395,065 )	( 395,065 )	-	-	-	-	( 395,065 )	-	( 395,065 )
D3	Other comprehensive income after tax for the year 2019	-	-	-	-	-	-	-	-	-	( 1,351 )	-	( 1,351 )	-	( 1,351 )	-	( 1,351 )
D5	Total comprehensive income for the year 2019	-	-	-	-	-	-	-	( 395,065 )	( 395,065 )	( 1,351 )	-	( 1,351 )	-	( 396,416 )	-	( 396,416 )
N1	Issuance of ordinary shares under the employee share option plan	79	790	-	790	903	-	-	-	-	-	-	-	-	1,693	-	1,693
T1	Retirement of restricted stock awards (RSAs)	( 6 )	( 60 )	-	( 60 )	( 421 )	-	-	-	-	-	120	120	-	( 361 )	-	( 361 )
N1	Issuance of restricted stock awards (RSAs) by the Corporation	-	-	-	-	-	-	-	-	-	-	8,862	8,862	-	8,862	-	8,862
L1	Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	( 55,325 )	( 55,325 )	-	( 55,325 )
L3	Retirement of treasury shares	( 1,500 )	( 15,000 )	-	( 15,000 )	( 16,548 )	-	-	( 23,777 )	( 23,777 )	-	-	-	55,325	-	-	-
Z1	Balance at December 31, 2019	73,853	738,535	-	738,535	838,388	282,992	3,225	316,359	602,576	( 4,576 )	( 1,120 )	( 5,696 )	( 11,246 )	2,162,557	-	2,162,557
	Appropriation and distribution of earnings for the year 2019																
B1	Special reserve	-	-	-	-	-	-	1,351	( 1,351 )	-	-	-	-	-	-	-	-
B5	Cash dividends distributed by the Corporation	-	-	-	-	-	-	-	( 73,682 )	( 73,682 )	-	-	-	-	( 73,682 )	-	( 73,682 )
T1	Compensation cost for employee share options	-	-	-	-	10,365	-	-	-	-	-	-	-	-	10,365	( 401 )	9,964
D1	Net profit for the year 2020	-	-	-	-	-	-	-	811,710	811,710	-	-	-	-	811,710	9,273	820,983
D3	Other comprehensive income after tax for the year 2020	-	-	-	-	-	-	-	-	-	11,025	-	11,025	-	11,025	35	11,060
D5	Total comprehensive income for the year 2020	-	-	-	-	-	-	-	811,710	811,710	11,025	-	11,025	-	822,735	9,308	832,043
M3	Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	( 22,979 )	( 22,979 )
M5	Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	153,042	-	-	-	-	3,593	-	3,593	-	156,635	14,072	170,707
M7	Changes in ownership interests in subsidiaries	-	-	-	-	401	-	-	-	-	-	-	-	-	401	-	401
N1	Issuance of ordinary shares under the employee share option plan	378	3,781	532	4,313	18,526	-	-	-	-	-	-	-	-	22,839	-	22,839
N1	Issuance of restricted stock awards (RSAs) by the Corporation	-	-	-	-	-	-	-	-	-	-	1,120	1,120	-	1,120	-	1,120
Z1	Balance at December 31, 2020	74,231	\$ 742,316	\$ 532	\$ 742,848	\$ 1,020,722	\$ 282,992	\$ 4,576	\$ 1,053,036	\$ 1,340,604	\$ 10,042	\$ -	\$ 10,042	( \$ 11,246 )	\$ 3,102,970	\$ -	\$ 3,102,970

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

AP Memory Technology Corporation and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(In Thousands of New Taiwan Dollars)

Code		2020	2019
	Cash flows from operating activities		
A00010	Income from continuing operations before income taxes	\$ 940,355	( \$ 354,357 )
A00020	Income from discontinued operations before income taxes	<u>5,619</u>	( <u>71,590</u> )
A10000	Income before taxes for the year	945,974	( 425,947 )
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expense	22,966	52,424
A20200	Amortization expense	37,497	27,045
A20300	Expected credit loss	2,086	2,844
A20400	Valuation gain on financial assets at fair value through profit or loss	( 48,141 )	( 3 )
A20900	Interest expense	2,733	4,604
A21200	Interest income	( 6,348 )	( 3,652 )
A21300	Dividend income	( 155 )	-
A21900	Cost of share-based payment	11,485	11,673
A22300	Share of profit (loss) of associates accounted for using equity method	( 4,948 )	( 8,605 )
A22500	Loss on disposal and scrap of property, plant and equipment	142	-
A23100	Gain (on disposal of assets	( 422,810 )	1,537
A23200	Gains on disposal of associates accounted for using equity method	( 461 )	-
A23700	Loss of inventory falling price and slow-moving inventory	26,333	2,036
A24100	Unrealized foreign exchange loss	26,954	8,422
A29900	Reserve for customer complaint loss	-	342,309
A29900	Loss on lease contract	116	-
A30000	Changes in operating assets and liabilities		
A31115	Decrease (increase) in financial assets mandatorily measured at fair value through profit or loss	( 884,193 )	( 75,179 )
A31150	Notes and accounts receivable	( 194,001 )	163,094
A31180	Other receivables	28,129	( 24,344 )
A31200	Inventories	157,398	747,763
A31240	Other assets	( 8,099 )	134,470
A31990	Refundable deposits	-	( 200,000 )
A32150	Accounts payable	151,522	( 326,329 )
A32180	Other payables	( 3,856 )	( 112,281 )
A32230	Other current liabilities	( <u>3,593</u> )	<u>23,122</u>
A33000	Cash inflow (outflow) generated from operations	( 163,270 )	345,003

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s		2020	2019
A33100	Interest received	5,382	2,703
A33200	Dividend received	155	-
A33300	Interest paid	( 2,883 )	( 4,597 )
A33500	Income taxes paid	( 21,040 )	( 35,613 )
AAAA	Net cash inflow (outflow) generated from operating activities	( 181,656 )	307,496
	Cash flows from investing activities		
B00400	Acquisition of financial assets at amortized cost	( 57,435 )	( 6,110 )
B01800	Acquisition of investment accounted for using equity method	( 500 )	-
B02300	Proceeds from disposal of subsidiaries (Note 28)	451,200	-
B02700	Purchase of property, plant and equipment	( 4,531 )	( 4,590 )
B02800	Disposition of Property, plant and equipment	1,191	-
B03800	Decrease (increase) in refundable deposits	( 3,754 )	1,535
B04500	Acquisition of intangible assets	( 27,548 )	( 10,824 )
B07100	Increase in prepayments for business facilities	( 17,293 )	( 470 )
B07600	Dividends received from associates	7,740	7,920
B09900	Issuance of financial liabilities measured at fair value through profit or loss	9,753	-
BBBB	Net cash flows from (used in) investing activities	358,823	( 12,539 )
	Cash flows from financing activities		
C00200	Decrease in short-term loans	( 172,566 )	( 150,000 )
C04020	Payment of lease liabilities	( 14,494 )	( 18,697 )
C04500	Cash dividend paid	( 73,682 )	( 37,539 )
C04800	Exercise of employee share options	22,839	1,693
C04900	Payments to acquire or redeem entity's shares	-	( 55,325 )
C05500	Disposal of ownership interests in subsidiaries (without loss of control)	140,447	-
CCCC	Net cash flows used in financing activities	( 97,456 )	( 259,868 )
DDDD	Effect of exchange rate changes on cash and cash equivalents	( 1,008 )	( 2,870 )
EEEE	Net increase in cash and cash equivalents	78,703	32,219
E00100	Cash and cash equivalents at the beginning of the year	584,264	552,045
E00200	Cash and cash equivalents at the end of the year	\$ 662,967	\$ 584,264

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



AP Memory Technology Corporation and Subsidiaries  
Notes to the Consolidated Financial Statements  
For the years ended December 31, 2020 and 2019  
(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 parent company only financial statements are presented in the Corporation’s functional currency, the New Taiwan dollar.

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 March 12, 2021.

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

- a. 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.

- b. Applicable IFRSs endorsed by FSC in 2021

<u>Newly released, amended or revised standards and interpretations</u>	<u>Effective date issued by IASB</u>
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	Effective on the date of promulgation
Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS )	Effective for annual reporting periods beginning on or after January 1, 2022
Covid-19-Related Rent Concessions (Amendment to IFRS 16 )	Effective for annual reporting periods beginning on or after June 1, 2022

According to the Group’s evaluation, amendments to the above standards and interpretations would not cause significant changes to the Group’s accounting policies.

- c. 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)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendment to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendment to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Undefined
“Insurance Contract” of IFRS 17	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendment to IAS 1 “Classifying liabilities as current or non-current”	January 1, 2023
Amendment to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendment to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendment to IAS 16 “Property, plant and equipment Proceeds before intended use”	January 1, 2022 (Note 4)
Amendment to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 3: The Corporation shall apply the amendment to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendment shall be applied retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the first annual reporting period beginning on or after January 1, 2021.

Note 5: The Corporation shall apply the amendment to contracts for which the Corporation has not yet fulfilled all its obligations at the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 6: The effective date of the amendment shall be delayed to annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendment shall be applied to changes in accounting estimates and accounting policy at the beginning of the annual reporting period beginning on or after January 1, 2023.

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

4. Summary of Significant Accounting Policies

a. 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).

b. Basis of preparation

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

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

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

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) 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:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, and
- 3) 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.

d.. Basis of consolidation

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

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

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

See Note 21 and Appendices 8 and 9 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. 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.

f. 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.

g. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither 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.

h. 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.

i. 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.

j. Intangible assets

1) 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.

2) 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.

3) 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.

k. 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.

l. Disposal groups held for sale

A disposal group should be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The disposal group classified as held for sale must be available for immediate sale in its present condition and its sale must be highly probable. When the appropriate level of management committed to a plan to sell the asset (or disposal group) and the sale is expected to qualify for recognition as a completed sale within one year from the date of classification, the asset is identified as highly probable.

If an entity's control over the subsidiary is lost when selling the disposal group, the assets and liabilities of the subsidiary shall be classified as held for sale regardless of whether the non-controlling interest therein will be retained.

A disposal group classified as held for sale is measured at the lower of the carrying amount and fair value less costs to sell, and should not be depreciated.

m. Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and represents either a separate major line of business or a geographical area of operations

Profits or losses of discontinued operations in prior periods shall be fully expressed in the consolidated statements of comprehensive income to disclose its relation with the discontinued operations of the current period.

n. 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.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

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.



i. 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 27.

ii. 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, 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; and bonds with repurchase agreements. 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.

2) 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.

3) 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.

o. Revenue recognition

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

1) Revenue from the sale of goods

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

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

2) 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.

p. 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.

q. Employee benefits

1) 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.

2) Retirement benefits

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

r. 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 or other equity (unearned compensation cost). It is recognized as an expense in full at the grant date if vested immediately.

When restricted shares for employees are issued, other equity - employees' unearned compensation are recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees.

At the end of each reporting period, the Group revises its estimate of the number of employee share options and RSAs expected to vest. 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 or capital surplus - RSAs.

s. Income taxes

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

1) 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.

2) 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.

3) 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.

Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sale of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$ 98	\$ 118
Checking accounts and demand deposits	662,869	524,186
Cash equivalents (investments with original maturities of three months or less)		
Bonds with repurchase agreements	-	59,960
	<u>\$ 662,967</u>	<u>\$ 584,264</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bank deposit	0.001%-0.30%	0.05%-0.48%

7. Financial instruments at FVTPL

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial Assets - Current</u>		
Non-derivative financial assets		
- Trust fund beneficiary		
certificates	<u>\$ 930,536</u>	<u>\$ 30,003</u>
<u>Financial Assets – Non-current</u>		
Non-derivative financial assets		
- Domestic and foreign unlisted		
(non-OTC) stocks		
Haining Changmeng		
Technology Partnership		
Enterprise (Limited		
Partnership) (a)	\$ 27,243	\$ 30,029
Powerchip Semiconductor		
Manufacturing Corp. (b)	39,984	15,150
GeneASIC Technologies		
Corporation (c)	<u>789</u>	<u>-</u>
	<u>\$ 68,016</u>	<u>\$ 45,179</u>

- a. The Group signed an investment agreement with Haining Changmeng Technology Partnership Enterprise (Limited Partnership) (hereinafter referred to as Haining Changmeng) in August 2019. 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.
- b. 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 2020, the Group sold 700,000 shares at \$15,775 thousand, produced realized benefits of 8,705 thousand. As of December 31, 2020, the Group possesses 0.026% of PSMC's issued shares.
- c. In August 2020, the Group acquired 50 thousand ordinary shares of GeneASIC Technologies Corporation (hereinafter referred to as GeneASIC) with a in August 2020 at the price of \$500 thousand. The shareholding ratio thereof is 20% and this investment is listed as investments accounted for using equity method. Nevertheless, as the Group failed to participate in GeneASIC's seasoned equity offering (SEO) in December 2020, its shareholding ratio therefore dropped to 19.05%. As such change has affected the Group's significant influence over GeneASIC, investments to GeneASICs are measured at fair value and are recognized as financial assets at fair value through profit or loss. The difference with the carrying value is \$461 thousand, which is recognized as gains on disposal of fixed assets.

8. Financial assets at amortized cost

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Time deposits with the original maturity of more than 3 months.	\$ <u>60,215</u>	\$ <u>3,225</u>
<u>Non-current</u>		
Time deposits with the original maturity of more than 3 months.	\$ <u>5,865</u>	\$ <u>6,080</u>

Please refer to Note 33 for information relating to investments

9. Notes receivable, accounts receivable and other receivables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Accounts receivable (a)</u>		
Measured at amortized cost		
Gross carrying amount	\$ 602,687	\$ 591,084
Less: Allowance for impairment loss	( <u>2,086</u> )	( <u>2,738</u> )
	\$ <u>600,601</u>	\$ <u>588,346</u>
<u>Other receivables (b)</u>		
Loans receivable		
Fixed interest rate	\$ 381,523	\$ -
Tax receivable	19,198	56,485
Purchase discount receivable	-	3,568
Others	<u>1,056</u>	<u>81</u>
	\$ <u>401,777</u>	\$ <u>60,134</u>

a. 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. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for impairment loss allowance based on past due status is not further distinguished according to the Group's different customer base.



The Group writes off an account receivable when there is information indicating that the debtor is in severe 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 based on the Group's assessment:

December 31, 2020

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

December 31, 2019

	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	\$500,595	\$ 65,318	\$ 17,877	\$ 4,556	\$ -	\$ -	\$ 2,738	\$591,084
Allowance for impairment loss (lifetime ECL)	-	-	-	-	-	-	( 2,738 )	( 2,738 )
Amortized cost	<u>\$500,595</u>	<u>\$ 65,318</u>	<u>\$ 17,877</u>	<u>\$ 4,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$588,346</u>

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

	2020	2019
Balance at the beginning of the year	\$ 2,738	\$ -
Add: Impairment loss recognized for the year	2,086	2,844
Less: Disposal of subsidiaries (Note 28)	( 2,738 )	-
Foreign exchange in gains and losses	-	( 106 )
Balance at the end of the year	<u>\$ 2,086</u>	<u>\$ 2,738</u>

b. Other receivables - Loans receivable

The interest rate exposure and contract expiry date of the Group's fixed-rate loans receivable are as follows (December 31, 2019: None):

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

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

10. Inventories

	December 31, 2020	December 31, 2019
Finished goods	\$ 156,564	\$ 386,789
Work-in-process goods	263,186	366,026
Raw materials	205,305	377,987
	<u>\$ 625,055</u>	<u>\$ 1,130,802</u>

The nature of operating costs is as follows:

	2020	2019
Cost of inventories sold	\$ 3,453,684	\$ 2,933,990
Cost of service	1,231	1,875
Inventory devaluation	26,333	2,036
Less: Amounts transferred to discontinued operations	( 957,422 )	( 1,873 )
	<u>\$ 2,523,826</u>	<u>\$ 2,936,028</u>

11. Discontinued operations

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

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

The aforesaid purchase agreement only agrees on EGST Ltd.'s eligibility of exercising mandatory call option. Nevertheless, EGST Ltd. and PTC have jointly requested for jointly exercising a mandatory call option. The said proposal was accepted by the Group's board of directors on September 26, 2020. It was decided that the Group would sell its remaining 76% shares of Zentel Japan to EGST Ltd. and PTC; and that the Corporation's president was authorized to handle matters related to the agreement and settlement. The Group sold the remaining shares on November 30, 2020 at US\$22,800,000. Zentel Japan, which complies with the definition of discontinued operations, is therefore expressed as discontinued operations since then.

The income and cash flow of discontinued operations are as follows:

	From January 1 to November 30, 2020	2019
Operating revenue	\$ 1,123,125	\$ 45,976
Operating costs	( 957,423 )	( 1,873 )
Gross profit	165,702	44,103
Research and development expense	( 158,143 )	( 116,133 )
Selling expense	( 6,175 )	-
Administrative expense	( 7,827 )	-
Operating loss	( 6,443 )	( 72,030 )
Non-operating income and expenses	12,062	440
Income before taxes	5,619	( 71,590 )
Income tax expense	( 6 )	( 502 )
Profit (loss) from discontinued operations	<u>\$ 5,613</u>	<u>( \$ 72,092 )</u>
Profit (loss) from discontinued operations that belong to:		
The Company's shareholders	(\$ 3,660 )	( \$ 72,092 )
Non-controlling interest	9,273	-
	<u>\$ 5,613</u>	<u>( \$ 72,092 )</u>
Cash flow from		
Operating activities	\$ 137,253	\$ 37,474
Investing activities	-	( 347 )
Financing activities	( 3,484 )	( 4,517 )
Effects of exchange rate change on cash	( 765 )	( 1,133 )
Net cash inflow	<u>\$ 133,004</u>	<u>\$ 31,477</u>

The carrying amounts of Zentel Japan's assets and liabilities are disclosed in Note 28.

## 12. 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, 2020	December 31, 2019	
The Corporation	AP Memory Corp, USA (hereinafter referred to as "AP-USA")	IC research and development services	100%	100%	(1)
The Corporation	AP MEMORY HOLDING Co., Ltd. (hereinafter referred to as "AP-HOLDING")	Investment related services	-	100%	(2)
The Corporation	Zentel Electronics	IC research, development and sales	100%	100%	(3)
The Corporation	AP Memory Technology (Hangzhou) Limited Co. (hereinafter referred to as "AP Hangzhou")	IC research, development and sales	100%	100%	(4)
The Corporation	AP Memory Japan G.K. (hereinafter referred to as "AP Japan")	Sale of ICs	-	-	(5)
AP-HOLDING	AP Electronics (Beijing) Co., Ltd. (hereinafter referred to as "AP Beijing")	Technical consulting and services of ICs	-	100%	(6)
Zentel Electronics	Zentel Japan	IC research, development and sales	-	100%	(7)
Zentel Electronics	Zentel Electronics (Shenzhen) Co., Ltd. (hereinafter referred to as "Zentel Shenzhen")	Sale of ICs	-	-	(8)
AP Hangzhou	AP Memory Technology (Hong Kong) Co. Limited (hereinafter referred to as "AP Hong Kong")	Sale of ICs	-	-	(9)

- 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 March 12, 2021, the Corporation already contributed US\$2,000 thousand of capital thereto.
- b. To cope with the growth and operational deployment planning of reinvested enterprises, the Corporation established a subsidiary – "AP-HOLDING" – in the Republic of Seychelles in April 2015. Through the reinvestments of AP-HOLDING, the Corporation then established AP Beijing. AP-HOLDING mainly engages in investments related affairs.

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

- c. 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 \$441,050 thousand via cash consideration in accordance with Business Mergers And Acquisitions Act. Up until now, the Corporation already purchased the full equity of Zentel Electronics. Zentel Electronics engages in the design, development and sale of ICs. To plan the operations and enhance the capital use efficiency of Zentel Electronics, the Corporation reached a decision to reduce the capitalization by 41.14% and return the share money of \$279,533 thousand. The record date for reverse split was August

9, 2019 and the said amendment has been registered. With respect to Zentel Electronics' business adjustments made in response to the Group's overall strategy, please refer to Note 11. As of March 12, 2021, Zentel Electronics' paid-in capital is \$400,000 thousand.

- d. Established in Hangzhou in December 2017, AP Hangzhou mainly engages in the design, development and sale of ICs. In 2019, the Corporation contributed US\$250 thousand of capital thereto. As of March 12, 2021, AP Hangzhou's paid-in capital is amounted US\$1,000 thousand.
- e. AP Japan was established in September 2019 in Japan to promote the sale of ICs. In the consideration of operational adjustments, the Corporation reached a decision on the dissolution of AP Japan on September 18, 2020 and completed the amendment registration on November 2, 2020.
- f. Established in October 2015, AP Beijing mainly engages in technical consulting and services of ICs. After the Group sold AP-HOLDING on March 20, 2020, it simultaneously lost control over AP Beijing, which is 100% owned by AP-HOLDING.
- g. Established in September 2003 in Japan, Zentel Japan mainly engages in the development, design and sale of ICs. To comply with the Group's strategy, the Group made business adjustments, where Zentel Japan was sold on November 30, 2020. For detailed information, please refer to Note 11.
- h. Established Zentel Shenzhen in April 2015, Zentel Electronics mainly engages in the sale of ICs. Considering the Group's business plan, the Group reached a decision to liquidate Zentel Shenzhen on August 9, 2019; and completed liquidation in August 2019 with a loss of \$1,537,000.
- i. AP Hangzhou established AP Memory Technology (Hong Kong) Co. Limited, a company primarily engages in the sale of ICs, in October 2019 in Hong Kong. As of March 12, 2021, AP Hangzhou has not yet invested any capital thereto.

13. Investments accounted for using equity method

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Investments in associate</u>		
Individually insignificant associates		
Lyontek Inc.		
(hereinafter referred to as		
"Lyontek")	<u>\$ 79,905</u>	<u>\$ 82,525</u>

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

	2020	2019
Shares held by the Group		
Net profit for the year	\$ 4,948	\$ 8,605
Total comprehensive income	\$ 4,948	\$ 8,605

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

In August 2020, the Group acquired 500 thousand shares of GeneASIC at the price of NT\$500 thousand in August 2020. The said investment was originally recognized as investments accounted for using equity method; and was changed to financial assets at fair value through profit or loss in December 2020. Please refer to Note 7 (3) for more information.

#### 14. Property, plant and equipment

	Machinery and equipment	Computer and communications equipment	Office equipment	Leasehold improvement	Total
<u>Cost</u>					
Balance at January 1, 2020	\$ 109,310	\$ 8,950	\$ 7,619	\$ 5,815	\$ 131,694
Addition	2,724	125	562	1,120	4,531
Disposal	( 595 )	( 885 )	( 2,162 )	( 239 )	( 3,881 )
Disposal of subsidiaries (Note 28)	( 7,721 )	( 205 )	( 425 )	-	( 8,351 )
		2	2	2	2
	7	7	7	7	7
	2	2	2	2	2
Net exchange differences	44	4 ( 47 )	4 38	4 22	4 57
Balance at December 31, 2020	103,762	7,938	5,632	6,718	124,050
<u>Accumulated depreciation</u>					
Balance at January 1, 2020	102,252	5,876	5,240	3,472	116,840
Depreciation expense	4,006	1,894	1,232	1,896	9,028
Disposal	( 514 )	( 818 )	( 989 )	( 227 )	( 2,548 )
Disposal of subsidiaries (Note 28)	( 6,737 )	( 195 )	( 376 )	-	( 7,308 )
Net exchange differences	23	( 34 )	22	18	29
Balance at December 31, 2020	99,030	6,723	5,129	5,159	116,041
Net at December 31, 2020	\$ 4,732	\$ 1,215	\$ 503	\$ 1,559	\$ 8,009
<u>Cost</u>					
Balance at January 1, 2019	\$ 105,876	\$ 8,454	\$ 7,617	\$ 5,389	\$ 127,336
Addition	3,513	529	71	477	4,590
Net exchange differences	( 79 )	( 33 )	( 69 )	( 51 )	( 232 )
Balance at December 31, 2019	109,310	8,950	7,619	5,815	131,694
<u>Accumulated depreciation</u>					
Balance at January 1, 2019	76,509	2,845	3,534	1,660	84,548
Depreciation expense	25,805	3,055	1,733	1,832	32,425
Net exchange differences	( 62 )	( 24 )	( 27 )	( 20 )	( 133 )
Balance at December 31, 2019	102,252	5,876	5,240	3,472	116,840
Net at December 31, 2019	\$ 7,058	\$ 3,074	\$ 2,379	\$ 2,343	\$ 14,854

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

Machinery and equipment	2 to 5 years
Computer and communications equipment	3 to 7 years
Office equipment	3 to 7 years
Leasehold improvement	3 to 5 years

15. Lease Agreements

a. Right-of-use assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying amounts of right-of-use assets		
Building	\$ 12,479	\$ 23,026
Machinery and equipment	<u>\$ 33,617</u>	<u>-</u>
	<u>\$ 46,096</u>	<u>\$ 23,026</u>
	<u>2020</u>	<u>2019</u>
Increase of the right-of-use assets	<u>\$ 40,469</u>	<u>\$ 17,512</u>
Depreciation expense of the right-of-use asset		
Building	\$ 12,779	\$ 19,999
Machinery and equipment	1,159	-
Less: Depreciation expense of discontinued operations	( <u>3,474</u> )	( <u>4,559</u> )
	<u>\$ 10,464</u>	<u>\$ 15,440</u>

b. Lease liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carry amounts of lease liabilities		
Current	<u>\$ 19,830</u>	<u>\$ 13,153</u>
Non-current	<u>\$ 25,090</u>	<u>\$ 8,974</u>

The discount rate intervals of lease liabilities are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Building	1.68%~3.58%	1.68%~3.58 %
Machinery and equipment	1.8%	-

c. Other lease information

	<u>2020</u>	<u>2019</u>
Expense relating to short-term leases	\$ 3,523	\$ 4,411
Less: Expense relating to short-term leases of discontinued operations	( <u>163</u> )	( <u>144</u> )
	<u>\$ 3,360</u>	<u>\$ 4,267</u>
Total cash (outflow) for leases	( <u>\$ 18,489</u> )	( <u>\$ 23,108</u> )

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

16. Goodwill

	2020	2019
Balance at the beginning of the year	\$ 76,204	\$ 76,204
Disposal of subsidiaries (Note 28)	( 76,204 )	-
Balance at the end of the year	<u>\$ -</u>	<u>\$ 76,204</u>

17. Other intangible assets

	Computer software	Technical licensing	Customer relations	Total improvement
<u>Cost</u>				
Balance at January 1, 2020	\$ 86,767	\$ 114,586	\$ 789	\$ 202,142
Increase during the year	27,548	-	-	27,548
Disposal of subsidiaries (Note 28)	( 24,211 )	( 114,586 )	( 789 )	( 139,586 )
Internal transfer	21,369	-	-	21,369
Net exchange differences	( 1,645 )	-	-	( 1,645 )
Balance at December 31, 2020	<u>\$ 109,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,828</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2020	\$ 57,909	\$ 36,287	\$ 237	\$ 94,433
Amortization expense	26,924	10,504	69	37,497
Disposal of subsidiaries (Note 28)	( 24,211 )	( 46,791 )	( 306 )	( 71,308 )
Internal transfer	14,955	-	-	14,955
Net exchange differences	( 852 )	-	-	( 852 )
Balance at December 31, 2020	<u>\$ 74,725</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,725</u>
Net at December 31, 2020	<u>\$ 35,103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,103</u>
<u>Cost</u>				
Balance at January 1, 2019	\$ 75,071	\$ 114,586	\$ 789	\$ 190,446
Increase during the year	10,824	-	-	10,824
Internal transfer	1,064	-	-	1,064
Net exchange differences	( 192 )	-	-	( 192 )
Balance at December 31, 2019	<u>\$ 86,767</u>	<u>\$ 114,586</u>	<u>\$ 789</u>	<u>\$ 202,142</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2019	\$ 42,590	\$ 24,828	\$ 162	\$ 67,580
Amortization expense	15,511	11,459	75	27,045
Net exchange differences	( 192 )	-	-	( 192 )
Balance at December 31, 2019	<u>\$ 57,909</u>	<u>\$ 36,287</u>	<u>\$ 237</u>	<u>\$ 94,433</u>
Net at December 31, 2019	<u>\$ 28,858</u>	<u>\$ 78,299</u>	<u>\$ 552</u>	<u>\$ 107,709</u>

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

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



18. Other assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Excess business tax paid	\$ 6,594	\$ 12,434
Masks and probe cards	-	8,137
Prepayment for purchases	-	3,599
Others	<u>1,829</u>	<u>7,171</u>
	<u>\$ 8,423</u>	<u>\$ 31,341</u>
<u>Non-current</u>		
Masks and probe cards	\$ 141,152	\$ 103,221
Prepayment for software licensing fee	<u>-</u>	<u>6,507</u>
	<u>\$ 141,152</u>	<u>\$ 109,728</u>

19. Loans

Short-term loans

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Secured loan</u> (Note 32)		
Bank loan	\$ 45,473	\$ -
<u>Unsecured loan</u>		
Line of credit loan	<u>85,140</u>	<u>300,000</u>
	<u>\$ 130,613</u>	<u>\$ 300,000</u>

Secured loan refers to finance guarantee provided Zentel Electronics. The guarantee is issued by CTBC Bank upon Zentel Electronics' provision of time-posit as a collateral and is used as a loan guarantee for AP Memory (Hangzhou). The interest rate on loan at December 31, 2020 is 2.21%.

The interest charged under the line of credit loan at 2020 and December 31, 2019 were 0.72% and 1.05-1.20%, respectively.

20. Other Liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Other payables		
Payable for the customer		
complaint compensation (1)	\$ 195,435	\$ 100,000
Payable for employees'		
compensation	36,649	7,570
Payable for salaries and bonuses	35,518	620
Payable for masks and probe cards	20,737	17,929
Payable for board directors'		
remuneration	9,000	1,000

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	December 31, 2020	December 31, 2019
Payable for compensated absences	3,688	7,304
Payable for labor costs	2,268	3,191
Payable for labor and national health insurances	1,673	1,926
Payable for pension	1,508	1,738
Others	<u>26,262</u>	<u>1,482</u>
	<u>\$ 332,738</u>	<u>\$ 142,760</u>
Other Liabilities		
Receipts under custody	\$ 1,725	\$ 6,839
Contract liabilities	88	6,546
Advance receipt (b.)	-	30,260
Others	<u>562</u>	<u>80</u>
	<u>\$ 2,375</u>	<u>\$ 43,725</u>
<u>Non-current</u>		
Long-term payables		
Payable for the customer complaint compensation (a.)	<u>\$ -</u>	<u>\$ 194,764</u>

- a. The Group received a customer complaint about the specifications of a specific batch of customized products. After negotiating with the customer who suffered from the said damage, the Group set \$342,309 thousand, which is then given to the customer to offset future payments in the following three years as compensation, aside in Q1 of 2019. Apart from the said customer complaint loss, the Group also deposited \$200,000 thousand into the customer's account as a guarantee before the debt is settled. At the end of 2019, the Group checked with the customer in regard to related losses and damages; and then transfer related liability reserves to other payables. As of December 31, 2020, the Group still needs to settle \$195,435 thousand in reliability.
- b. The advance receipt of \$30,260,000 comes from selling 24% equity interest of Zentel Japan. For detailed information related to the selling, please refer to Note 29.

## 21. Retirement Benefit Plans

### Defined Contribution Plans

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

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

retirement benefit plans operated by local government, the Group is only liable for allocating a specific amount.

22. Equity

a. Share capital

Ordinary shares

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Number of shares authorized (in thousands)	<u>100,000</u>	<u>100,000</u>
Authorized share capital	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>74,231</u>	<u>73,853</u>
Shares issued	<u>\$ 742,316</u>	<u>\$ 738,535</u>
Advance receipts for ordinary share	<u>\$ 532</u>	<u>\$ -</u>

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

Due to employees' exercise of employee share option (ESO), the Corporation issued additional 378 thousand and 79 thousand shares in 2020 and 2019, respectively.

As of December 31, 2020, the Corporation still has 12,000 option units that shall be registered for capital change. The total amount received therefor is \$532 thousand and is recognized as advance receipts for ordinary share.

Upon resolution of the board of directors on August 9, 2019, the Corporation decided to take back 6 thousand shares of restricted stock awards (RSAs) free of charge. Please refer to Note 27 for more information.

b. Capital surplus

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>May be used to offset a deficit,</u> <u>distributed as cash dividends or</u> <u>transferred to share capital (1)</u>		
Arising from issuance of ordinary shares	\$ 625,315	\$ 606,789
Difference between consideration and carrying amount of subsidiaries acquired or disposed	<u>153,042</u>	<u>-</u>
	<u>778,357</u>	<u>606,789</u>
<u>May be used to offset a deficit only</u> <u>(2)</u>		
Exercised and invalid employee share options	180,740	170,382
Acquired RSAs	47,595	43,124

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	<u>December 31, 2020</u>	<u>December 31, 2019</u>
SEO for employee share options	467	467
Changes in subsidiaries' ownership interests recognized using the equity method	<u>401</u>	<u>6,421</u>
	<u>229,203</u>	<u>220,394</u>
<u>May not be used for any purpose</u>		
Employee share options	13,162	6,734
Restricted stock awards (RSAs)	<u>-</u>	<u>4,471</u>
	<u>13,162</u>	<u>11,205</u>
	<u>\$ 1,020,722</u>	<u>\$ 838,388</u>

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

c. Retained earnings and dividend policy

The Corporation's Articles of Incorporation state that any earnings received by the Corporation in the fiscal year shall be used to pay taxes and offset accumulated deficits first; have 10% thereof set aside as legal reserve; and then recognize or reverse the remaining amount as a special reserve as prescribed by law. Any remaining amount, if any, shall be reported to the board of directors. The board of directors will then draft an earnings distribution proposal together with unappropriated earnings accumulated over the years. The proposal will be submitted to shareholders' meeting and, upon approval, be used to distribute shareholders' dividends. With respect to the policy of distributing employees' compensation and board directors' remuneration as prescribed in the Corporation's Articles of Incorporation, please refer to "Employees' Compensation and Board Directors' Remuneration" in Note 24(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.

Items referred to under Letter Jin-Guan-Zheng-Fa-Zi No. 1010012865 issued by FSC and the directives titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reserved from a special reserve by the Corporation.

The appropriation of earnings for 2019 and 2018 which had been approved at the shareholders meeting on June 15, 2020 and June 6, 2019, respectively, is as follows:

	2019	2018
Legal reserve	\$ <u>          -</u>	\$ <u>11,547</u>
Special reserve (reversal)	\$ <u>1,351</u>	( \$ <u>2,369</u> )
Cash dividends	\$ <u>73,682</u>	\$ <u>37,539</u>
Dividends per share (NT\$)	\$ 1.0	\$ 0.5

In 2019, dividends per share are adjusted to NT\$0.99742797 due to the exercise of employee share options.

In 2018, dividends per share are adjusted to NT\$0.51023481 in 2018 due to the redemption of restricted stock awards (RSAs) and redemption of treasury shares.

The Corporation's appropriation of earnings for 2020 proposed by the board of directors on March 12, 2021 is as follows:

	2020
Legal reserve	\$ <u>81,171</u>
Special reserve (reversal)	( \$ <u>4,576</u> )
Cash dividends	\$ <u>370,373</u>
Dividends per share (NT\$)	\$ <u>5.0</u>

The appropriation of earnings for 2020 will be finalized at the shareholders' meeting to be held on June 17, 2021.

d. Other equity

1) Exchange differences on translation of foreign financial statements

	2020	2019
Balance at the beginning of the year	( \$ 4,576 )	( \$ 3,225 )
Exchange differences on translating the financial statements of foreign operations	( 1,832 )	( 1,977 )
Share of the other comprehensive income of subsidiaries accounted for using equity method	36	626
Reclassification adjustment		
Disposal of foreign operations (Note 28)	<u>12,821</u>	<u>-</u>
Other comprehensive income for the year	<u>11,025</u>	( <u>1,351</u> )
Disposal of subsidiaries' partial equity	<u>3,593</u>	<u>-</u>
Balance at the end of the year	<u>\$ 10,042</u>	( <u>\$ 4,576</u> )

2) Unearned compensation cost

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

	2020	2019
Balance at the beginning of the year	( \$ 1,120 )	( \$ 10,102 )
Expense recognized as share-based payment	1,120	8,862
Retirement of restricted stock awards (RSAs)	<u>-</u>	<u>120</u>
Balance at the end of the year	<u>\$ -</u>	( <u>\$ 1,120</u> )

e. Non-controlling interest (from January 1 to December 31, 2019: None))

	2020
Balance at the beginning of the year	\$ -
Net profit for the year	9,273
Exchange differences on translation of foreign financial statements	35
Changes in ownership interests in subsidiaries	( 401 )
Disposal of subsidiaries' partial equity	14,072
Disposal of subsidiaries	( <u>22,979</u> )
Balance at the end of the year	<u>\$ -</u>

f. Treasury shares

Purpose of redemption	Shares transferred to employees (in thousands of shares)	Retirement (in thousands of shares)	Total (in thousands of shares)
Number of shares at January 1, 2020	258	-	258
Increase during the year	-	-	-
Number of shares at December 31, 2020	<u>258</u>	<u>-</u>	<u>-</u>
Number of shares at January 1, 2019	258	-	258
Increase during the year	-	1,500	1,500
Decrease during the year	-	( 1,500 )	( 1,500 )
Number of shares at December 31, 2019	<u>258</u>	<u>-</u>	<u>258</u>

To transfer shares to employees, the Corporation had, upon resolution of the board of directors on October 8, 2018, bought back 258 thousand shares between October 9, 2018 and December 8, 2018 at the price of NT\$11,246 thousand.

To maintain the Corporation's creditability and shareholders' equity, the Corporation had, upon resolution of the board of directors on May 14, 2019, bought back 1,500 thousand shares between May 15, 2019 and July 12, 2019 at the price of NT\$55,325 thousand. The Corporation then, upon resolution of the board of directors on August 9, 2019 and retired 1,500 thousand treasury shares.

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

23. Revenue

	2020	2019
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 3,190,196	\$ 3,131,224
Revenue from the rendering of services	301,775	260,802
Other income	<u>57,526</u>	<u>24,643</u>
	<u>\$ 3,549,497</u>	<u>\$ 3,416,669</u>

a. Descriptions of contracts with customers

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

b. Contract balance

	December 31, 2020	December 31, 2019	January 1, 2019
Accounts receivable (Note 9)	<u>\$ 600,601</u>	<u>\$ 588,346</u>	<u>\$ 763,573</u>
Contract liabilities (Note 20)			
Sale of goods	<u>\$ 88</u>	<u>\$ 6,546</u>	<u>\$ 1,507</u>

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

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

	2020	2019
<u>From the contract liabilities at the beginning of the year</u>		
Sale of goods	<u>\$ 6,546</u>	<u>\$ 1,507</u>

24. Net Profit (Loss) in the Year from Continuing Operations

a. Depreciation and amortization

	2020	2019
Property, plant and equipment	\$ 8,602	\$ 31,757
Right-of-use assets	10,464	15,440
Other intangible assets	<u>37,497</u>	<u>27,045</u>
	<u>\$ 56,563</u>	<u>\$ 74,242</u>
Depreciation expense by function		
Cost of sales	\$ 5,366	\$ 27,031
Operating expense	<u>13,700</u>	<u>20,166</u>
	<u>\$ 19,066</u>	<u>\$ 47,197</u>
Amortization expense by function		
Cost of sales	\$ 13,683	\$ 3,011
Operating expense	<u>23,814</u>	<u>24,034</u>
	<u>\$ 37,497</u>	<u>\$ 27,045</u>



b. Employee benefit expense

	2020	2019
Retirement benefit plans		
Defined Contribution Plans		
(Note 21)	\$ 6,399	\$ 10,764
Share-based payment		
Equity settlement	13,055	10,167
Other employee benefits		
Salary expense	301,952	264,605
Labor insurance and national		
health insurance expense	14,239	17,644
Other employment expense	12,997	13,742
	329,188	295,991
Total employee benefit expense	<u>\$ 348,642</u>	<u>\$ 316,922</u>
Summarized by functions		
Cost of sales	\$ 41,491	\$ 96,638
Operating expense	307,151	220,284
	<u>\$ 348,642</u>	<u>\$ 316,922</u>

c. Other gains and losses

	2020	2019
Gain (loss) on disposal of assets		
(Note 28)	\$ 422,810	( \$ 1,537 )
Gains on financial assets at fair		
value through profit or loss		
(Note 31)	48,141	57
Gain on disposal of investment		
(Note 8)	461	-
Loss on disposal of property, plant		
and equipment	( 142 )	-
Net exchange loss (Notes 24 and		
35)	( 61,870 )	( 11,370 )
Losses derived from customer		
complaints (Note 20)	-	( 342,309 )
	<u>\$ 409,400</u>	<u>( \$ 355,159 )</u>

d. Employees' compensation and board directors' remuneration

According to the Corporation's Articles of Incorporation, the Corporation accrued employees' compensation and board directors' remuneration at the rates of no less than 1% and no higher than 3%, respectively, of net profit before income tax. The Corporation did not set employees' compensation and board directors' remuneration aside in 2019 due to a net loss before income tax. As for employees' compensation and board directors' remuneration for the year of 2020, the board of directors reached an agreement on March 12, 2021 as follows:

Accrual rate

	2020
Employees' compensation	3.7684%
Board directors' remuneration	0.8715%

Amount

	<u>2020</u>
Employees' compensation	\$ 34,592
Board directors' remuneration	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.

For the year of 2018, there is no difference between the paid amounts of employees compensation and board directors remuneration and the amounts recognized in the 2018 Consolidated Financial Statements

With respect to the resolution of the Corporation's board of directors on employees' compensation and board directors' remuneration for 2020 and 2019, please go to the website of Taiwan Stock Exchange "Market Observation Post System" for detailed information.

e. Exchange difference recognized in profit or loss

	<u>2020</u>	<u>2019</u>
Total exchange gain	\$ 52,538	\$ 64,519
Total exchange loss	( 114,408 )	( 75,889 )
Net loss	( \$ 61,870 )	( \$ 11,370 )

25. Income Taxes from Continuing Operations

a. Major components of tax expense recognized in profit or loss

	<u>2020</u>	<u>2019</u>
Current income tax		
Expense recognized in the current year	( \$ 133,090 )	\$ -
Adjustments on prior years	<u>-</u>	( 717 )
	( 133,090 )	( 717 )
Deferred tax		
Expense recognized in the current year	( 25,786 )	32,101
Adjustments on prior years	<u>33,891</u>	<u>-</u>
	<u>8,105</u>	<u>32,101</u>
Income tax expense recognized in profit or loss	( \$ 124,985 )	\$ 31,384

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

	2020	2019
Income before taxes	<u>\$ 940,356</u>	<u>( \$ 354,357 )</u>
Income tax expense at the statutory rate	( \$ 279,862 )	\$ 85,691
Unrecognized tax benefit	77,525	( 58,953 )
Unrecognized deductible temporary differences/ loss carryforwards	77,352	5,352
Tax exempt income	-	11
Adjustments recognized in the period for current tax of prior years	<u>-</u>	<u>( 717 )</u>
Income tax expense recognized in profit or loss	<u>( \$ 124,985 )</u>	<u>\$ 31,384</u>

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

2020

	Balance at the beginning of the year	Recognized in profit or loss	Balance at the end of the year
<u>Deferred tax assets</u>			
Temporary differences			
Exchange loss	\$ 2,040	\$ 3,122	\$ 5,162
Payable for compensated absences	1,460	( 722 )	738
Allowance for loss of inventory falling price and slow-moving inventory	39,125	( 5,858 )	33,267
Current financial assets at fair value through profit or loss	-	557	557
Compensation for loss	-	39,087	39,087
Loss carryforwards	<u>31,450</u>	<u>( 31,450 )</u>	<u>-</u>
	<u>\$ 74,075</u>	<u>\$ 4,736</u>	<u>\$ 78,811</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Unrealized loss from sale	\$ 1,946	( \$ 1,946 )	\$ -
Exchange gain	<u>1,656</u>	<u>( 1,423 )</u>	<u>233</u>
	<u>\$ 3,602</u>	<u>( \$ 3,369 )</u>	<u>\$ 233</u>

2019

	Balance at the beginning of the year	Recognized in profit or loss	Balance at the end of the year
<u>Deferred tax assets</u>			
Temporary differences			
Exchange loss	\$ 517	\$ 1,523	\$ 2,040
Payable for compensated absences	1,457	3	1,460
Allowance for loss of inventory falling price and slow-moving inventory	38,683	442	39,125
Loss carryforwards	-	31,450	31,450
	<u>\$ 40,657</u>	<u>\$ 33,418</u>	<u>\$ 74,075</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Unrealized loss from sale	\$ -	\$ 1,946	\$ 1,946
Exchange gain	2,285	( 629 )	1,656
	<u>\$ 2,285</u>	<u>\$ 1,317</u>	<u>\$ 3,602</u>

- a. Deductible temporary differences and unused deduction of loss that are not recognized as deferred tax assets in consolidated balance sheets.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Loss carryforwards		
Maturity in 2029	\$ -	\$ 101,744
Deductible temporary differences	<u>\$ 192,736</u>	<u>\$ 300,730</u>

- b. Income tax assessment

The Corporation and its subsidiary Zentel Electronics' tax returns for income tax through 2018 have been assessed by the tax authorities.

26. Earnings (losses) per share

		Unit: NT\$ per share
	2020	2019
Basic earnings (losses) per share		
From continuing operations	\$ 11.05	( \$ 4.36 )
From discontinued operations	( <u>0.05</u> )	( <u>0.97</u> )
	<u>\$ 11.00</u>	( <u>\$ 5.33</u> )
Diluted earnings (losses) per share		
From continuing operations	\$ 10.89	( \$ 4.36 )
From discontinued operations	( <u>0.05</u> )	( <u>0.97</u> )
	<u>\$ 10.84</u>	( <u>\$ 5.33</u> )

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

Net profit (loss) for the year

	2020	2019
Earnings (losses) used in the computation of basic and diluted earnings (losses) per share	\$ 811,710	( \$ 395,065 )
Less: Earnings (losses) from discontinued operations that are used in the computation of basic and diluted earnings (losses) per share from discontinued operations	<u>3,660</u>	<u>72,092</u>
Earnings (losses) used in the computation of basic and diluted earnings (losses) per share from continuing operations	<u>\$ 815,370</u>	( <u>\$ 322,973</u> )

Number of shares

		Unit: 1,000 shares
	2020	2019
Weighted average number of ordinary shares outstanding used in the computation of basic earnings (losses) per share	73,764	74,106
Effects of potentially dilutive ordinary shares:		
Employee share options	997	-
Employees' compensation	81	-
Restricted stock awards (RSAs)	<u>12</u>	<u>-</u>
Weighted average number of ordinary shares outstanding used in the computation of diluted earnings (losses) per share	<u>74,854</u>	<u>74,106</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.

As potential ordinary shares outstanding are dilutive in the computation of losses per share in 2019, they are excluded from the computation.

## 27. Share-based payment Agreements

### a. Employee share option plan

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

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

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

Information relating to issued employee share options is as follows:

Employee share options	2020		2019	
	Option per unit	Weighted average exercise prices (NT\$)	Option per unit	Weighted average exercise prices (NT\$)
Outstanding at the beginning of the year	1,773,000	\$ 66.47	1,408,000	\$ 54.25
Offered in the year	319,000	333.50	758,000	83.27
Became invalid in the year	( 173,800 )	68.37	( 314,000 )	60.29
Exercised in the year	( 378,000 )	58.98	( 79,000 )	21.44
Outstanding at the end of the year	<u>1,540,000</u>	123.40	<u>1,773,000</u>	66.47
Exercisable at the end of the year	<u>64,500</u>	47.21	<u>216,400</u>	57.18
The weighted average fair value of options offered in the year (NT\$)	<u>\$ 136.31</u>		<u>\$ 27.38</u>	

The weighted average price of options exercised in 2020 and 2019 were \$351.63 and \$56.80, respectively on the exercise day.

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

December 31, 2020			December 31, 2019		
Issue date	Exercise price (NT\$)	Weighted average remaining contractual life (years)	Issue date	Exercise price (NT\$)	Weighted average remaining contractual life (years)
January 25, 2017	\$ 73.18	6.07	November 30, 2014	\$ 15.46	0.92
November 9, 2018	44.30	7.86	January 25, 2017	73.18	7.07
April 26, 2019	44.30	8.32	November 9, 2018	44.26	8.86
December 20, 2019	83.50	8.97	April 26, 2019	43.32	9.32
September 26, 2020	333.50	9.75	December 20, 2019	83.70	9.97

Employee share options offered by the Corporation in September 2020, April 2019 and December 2019, respectively, were assessed using the binomial option pricing model. The parameters of the model are as follows:

Year of offering	September 2020	December 2019	April 2019
Fair value on the offering date	NT\$108.79~161.73	NT\$22.31~32.72	NT\$11.32~16.94
Exercise price	NT\$333.50	NT\$83.70	NT\$43.85
Expected volatility	54.68%	42.28%	42.23%
Expected life	6-7.5 years	6-7.5 years	6-7.5 years
Expected dividend yield	-	-	-
Risk-free interest rate	35-0.38%	0.60%-0.63%	0.65%-0.70%

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 2020 and 2019 were \$10,797 thousand and \$1,666 thousand, respectively. The compensation costs generated from employee share options offered to subsidiaries in 2020 and 2019 were \$(432) thousand and \$1,506 thousand, respectively.

b. Restricted stock awards (RSAs)

Approval date by board of directors	June 19, 2017	May 27, 2016	June 23, 2015
Number of issued shares (in thousands)	500	500	1,200
Issue amount	Free of charge issuance	Free of charge issuance	Free of charge issuance
Effective date upon approval of FSC	July 18, 2017	July 5, 2016	August 10, 2015

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

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

Before employees reach the vesting conditions, the Corporation may retire such RSAs at no consideration. Upon resolution of the board of directors on August 9, 2019, the Corporation retired 6 thousand restricted stock awards (RSAs).

The movements in restricted stock awards (RSAs) in 2020 and 2019 are as follows:

Restricted stock awards (RSAs)	Number of shares (in thousands)	
	2020	2019
Outstanding at the beginning of the year	53	200
Vested in the year	( 53 )	( 141 )
Retired in the year	-	( 6 )
Balance at the end of the year	<u>-</u>	<u>53</u>

Compensation costs recognized in 2020 and 2019 were \$1,120 thousand and \$8,501 thousand, respectively.

## 28. Disposal of subsidiaries

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

### a. Consideration received

	A P H o l d i n g	Z E N T E L J a p a n
Cash	<u>\$ 6,946</u>	<u>\$ 656,869</u>



b. Analysis of assets and liabilities over which the Corporation lost control

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

c. Profit (loss) on disposal of subsidiaries

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

d. Net cash inflow from disposal of subsidiaries

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

29. Equity Transaction with Non-Controlling Interest

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

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

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

30. Capital risk management

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

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

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

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

31. Financial instruments

a. 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.

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

1) Fair value hierarchy

December 31, 2020

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

December 31, 2019

	Level 1	Level 2	Level 3	Total improvement
<u>Financial assets at FVTPL</u>				
Trust fund beneficiary certificates	\$ 30,003	\$ -	\$ -	\$ 30,003
Equity instrument investment	-	-	45,179	45,179
	<u>\$ 30,003</u>	<u>\$ -</u>	<u>\$ 45,179</u>	<u>\$ 75,182</u>

2) Reconciliation of Level 3 - Financial Liabilities at FVTPL

2020

<u>Financial assets</u>	<u>Measured at FVTPL Equity instruments</u>
Balance at the beginning of the year	\$ 45,179
Increase during the year	789
Recognized in profit or loss	15,215
Decrease during the year	( 15,775 )
Transfer out of Level 3	( 17,376 )
Balance at the end of the year	<u>\$ 28,032</u>
Relating to assets held at the end of the reporting year and recognized as unrealized gains through profit and loss	<u>\$ 29,118</u>
<u>Financial liabilities</u>	<u>Derivative instruments</u>
Balance at the beginning of the year	\$ -
Increase during the year	9,753
Recognized in profit or loss	( 9,753 )
Balance at the end of the year	<u>\$ -</u>

2019

<u>Financial assets</u>	<u>Measured at FVTPL</u> <u>Equity instruments</u>
Balance at the beginning of the year	\$ -
Increase during the year	<u>45,179</u>
Balance at the end of the year	<u>\$ 45,179</u>

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

<u>Classification of financial instruments</u>	<u>Valuation techniques and inputs</u>
Non-TWSE/TPEX-listed stock	<ol style="list-style-type: none"> <li>1. Adopted the market approach, where the recent financing activities of investees are used to arrive at their fair values.</li> <li>2. Adopted the asset approach, where investees' net asset values and observable financial and operating status is used to arrive at their fair values.</li> </ol>

c. Classification of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
At Fair Value Through Profit or Loss (FVTPL)		
Equity instrument investment	\$ 68,016	\$ 45,179
Trust fund beneficiary certificates	930,536	30,003
Measured at amortized cost (Note 1)	1,920,774	1,392,250
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	700,285	944,906

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 short-term loans, accounts payable, other payables and long-term payables.

d. Financial risk management objectives and policies

The Group's main financial instruments are equity and debt instrument investments, accounts receivable, other receivables, refundable deposits, loans, accounts payable, other payables and lease liabilities. The Group's financial management department provides services to all business units; and organizes, supervises and manages all financial risks related to the Group's operations.

Such risks include market risks (including currency, interest rate risks and other price risks), credit risks and liquidity risks.

1) Market risks

The Group's operating activities expose it primarily to the financial risks of changes in foreign currency exchange rates (please refer to (1) below), interest rates (please refer to (2) below) and other price volatility (please refer to (3) 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 35.

Sensitivity analysis

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

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

	Impact of the U.S. dollar	
	2020	2019
Profit or loss (i)	\$ 51,739	\$ 30,941

(i) The above profit or loss is mainly associated with demand deposits, 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, 2020	December 31, 2019
Fair value interest rate risk		
- Financial assets	\$ 447,603	\$ 69,265
- Financial liabilities	130,060	322,127
Cash flow interest rate risk		
- Financial assets	662,848	524,164
- Financial liabilities	45,473	-

#### Sensitivity analysis

The sensitivity analysis was determined on the basis of the Group's exposure to interest rate changes for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period had been outstanding for the whole year. Had interest rates been fifty basis points higher and all other variables were held constant, the Group's pretax profits would have increased by \$3,087 thousand and \$2,621 thousand in 2020 and 2019, respectively. Such increase is resulted from the Group's variable-rate account.

#### c) Other price risks

The price risks exposed to the Group in 2020 and 2019 in association with beneficiary certificates and equity instrument investments come from investments that are classified as financial assets at fair value through profit or loss.

Had the price of equity instrument investment and trust fund beneficiary certificates increased/ decreased by 5% at the end of the reporting period, the Group's pretax profits would have increased/ decreased by \$49,928 thousand in 2020 and \$3,759 thousand 2019, respectively.

#### 2) Credit risk

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

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

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

### 3) Liquidity risk

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

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

#### 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, 2020

	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	-	\$ 403,395	\$ 166,277	\$ -	\$ -
Fixed-rate financial instruments	0.72	85,237	-	-	-
Lease liabilities	2.09	5,089	16,262	25,765	-
Floating-rate financial instruments	2.21	-	45,691	-	-
		<u>\$ 493,721</u>	<u>\$ 228,230</u>	<u>\$ 25,765</u>	<u>\$ -</u>

#### December 31, 2019

	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	-	\$ 348,010	\$ 102,240	\$ 194,764	\$ -
Lease liabilities	2.43	4,661	8,846	9,161	-
Fixed-rate financial instruments	1.10	300,502	-	-	-
		<u>\$ 653,173</u>	<u>\$ 111,086</u>	<u>\$ 203,925</u>	<u>\$ -</u>

b) Line of credit

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Non-collateral line of credit may be extended upon agreement of both parties		
— Used line of credit	\$ 130,613	\$ 300,000
— Available line of credit	<u>714,860</u>	<u>910,000</u>
	<u>\$ 845,473</u>	<u>\$ 1,210,000</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.

32. Related-Party Disclosures

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

a. Related parties and relationships therewith

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

b. Operating revenue

<u>Type of related party</u>	<u>2020</u>	<u>2019</u>
Associate	( <u>\$ 5,591</u> )	<u>\$ 10,325</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.

c. Accounts receivable (December 31, 2020: None)

<u>Type of related party</u>	<u>December 31, 2019</u>
Associate	<u>\$ 40</u>

For receivables outstanding from related parties, no deposit has been charged. With respect to receivables from related parties for the year ended December 31, 2019, no allowance for impairment loss has been reserved therefor.



- d. Other receivables from related parties (December 31, 2019: None)

<u>Type of related party</u>	<u>December 31, 2020</u>
Associate	<u>\$ 398</u>

- e. Salaries and bonuses of key management personnel

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 53,012	\$ 35,071
Retirement benefit plans	1,658	1,191
Share-based payment	<u>1,846</u>	<u>607</u>
	<u>\$ 56,516</u>	<u>\$ 36,869</u>

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

33. Pledged Assets

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Pledged time deposits (recognized as financial assets at amortized cost)	<u>\$ 60,215</u>	<u>\$ 3,225</u>

34. Significant Contingent Liabilities and Unrecognized Contractual Commitments

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

According to the verdict of the first trial, Zentel Electronics and other defendants should pay 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 court has not held a hearing on the appeal. The Group also filed an appeal to the court of second instance and the court has not held a hearing on the appeal. The Group holds the believe that the litigation results cannot yet be estimated.

35. Foreign Currency Assets and Liabilities with Significance

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

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

December 31, 2020

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

December 31, 2019

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 29,398	29.98 (USD : TWD)	\$ 881,298
USD	1,271	108.6232 (USD : JPY)	38,104
			<u>\$ 919,402</u>
<u>Non-monetary items</u>			
Equity instrument investment at FVTPL			
RMB	6,900	4.352 (RMB : TWD)	<u>\$ 30,029</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	10,028	29.98 (USD : TWD)	<u>\$ 300,636</u>

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

	<u>2020</u>		<u>2019</u>	
Foreign Currency	Exchange Rate	Net exchange gain (loss)	Exchange Rate	Net exchange gain (loss)
USD	29.549 (USD : TWD)	( \$ 69,378 )	30.912 (USD : TWD)	( \$ 11,512 )
USD	6.9007 (USD : RMB)	8,222	-	-
JPY	0.2769 (JPY : TWD)	( 639 )	0.2837 (JPY : TWD)	144
EUR	33.7100 (EUR : TWD)	( 75 )	-	-
		( \$ 61,870 )		( \$ 11,368 )

36. Additional Disclosures

a. Information on significant transactions and b. Information on reinvestments:

- 1) Financing provided to others: Please refer to Appendix 1.
- 2) Endorsement
- 3) Marketable securities held at the end of the year (investments in subsidiaries are excluded): Please refer to Appendix 3.
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Please refer to Appendix 4.
- 5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please refer to the table of Appendix 5.

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to the table of Appendix 6.
  - 9) Information about the derivative financial instrument transaction: Please refer to Note 11.
  - 10) Others: Business relationships and significant transactions and amount between parent company and subsidiaries and among subsidiaries: Please refer to Appendix 7.
  - 11) Information of investees: Please refer to Appendix 8.
- c. Information on investments in Mainland China:
- 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, ending balance, amount received as dividends from the investee, and the limitation on investees: Please refer to Appendix 9.
  - 2) 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: Please refer to Appendix 7.
    - c) The amount of property transactions and the amount of the resultant gains or losses: None.
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Please refer to the table of Appendix 2.
    - 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 Appendix 7.
- d. 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 10.

### 37. Operating Segments

#### a. Information on the Operating Segments

The chief operating decision maker uses the Group's financial information to allocate resources and assess performance. As the Group manages the organization and allocate resources to one single operating segment as prescribed in IFRS 8 "Operating Operations"; and the income generated from the operating activity is greater than 90% of the Group's combined revenue, it is not obligatory to disclose the operating segment's financial information.

b. Revenue from major products and services

Please refer to Note 23.

c. 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:

	Revenue from external customers		Non-current assets	
	2020	2019	December 31, 2020	December 31, 2019
Mainland China	\$ 2,191,933	\$ 1,482,079	\$ 24,436	\$ 9,337
Taiwan	705,344	683,216	393,477	436,100
Japan	93,417	629,988	-	10,135
Europe	75,231	184,935	-	-
America	1,083	11,073	22,863	9,275
Others	<u>482,489</u>	<u>425,378</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,549,497</u>	<u>\$ 3,416,669</u>	<u>\$ 440,776</u>	<u>\$ 464,847</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, goodwill and deferred tax assets.

d. 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:

	2020
Customer A	\$ 855,620
Customer C	<u>383,139</u>
	<u>\$ 1,238,759</u>
	2019
Customer B	\$ 530,775
Customer C	<u>387,996</u>
	<u>\$ 918,771</u>

AP Memory Technology Corporation and Subsidiaries  
Financing Provided to Others  
For the year ended December 31, 2020

Appendix 1

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

No.	Financing company	Counterparty	Financial statement account	Related party	Maximum balance for the period	Ending balance	Drawn amount	Interest rate collars	Nature of financing	Trading amount	Reasons for short-term financing	Allowance for bad debt	Collateral		Maximum amount permitted to a single borrower (Note 1)	Aggregate financing limit (Note 1)	Remarks
													I t e m	V a l u e			
0	AP Memory Technology Corporation	Zentel Japan Corp.	Other receivables	No (Note 2)	\$ 427,200	\$ 427,200	\$ 381,523	0.37%	Business contacts	\$ 426,608	-	\$ -	-	\$ -	\$ 620,594	\$ 1,241,188	

Note 1: For financing with the purpose of business contacts, the aggregate financing limit and maximum amount permitted to a single borrower shall not exceed 40% and 20% of the Corporation’s net value, respectively. The said aggregate financing limit is calculated based on the net value as of December 31, 2020.

Note 2: The Corporation has lost control over Zentel Japan after selling 24% of its equity on January 2, 2020 and the remaining on November 30, 2020.

AP Memory Technology Corporation and Subsidiaries  
Endorsement and Guarantee for Others  
For the year ended December 31, 2020

Appendix 2

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorsement/ guarantee provider	Endorsed/ guaranteed party		Maximum endorsement/ guarantee amount permitted to a single party (Note 3)	Maximum balance for the period	Ending balance	Drawn amount	Amount of endorsement/ guarantee collateralized by properties	Ratio of accumulated endorsement/ guarantee to net equity per latest financial statements (%)	Aggregate external endorsement/gua rantee amount (Note 3)	Endorsement/ guarantee provided by the parent company	Endorsement/ guarantee provided by the subsidiary	Endorsement/ guarantee provided to subsidiaries in mainland China.	Remarks
		Company name	Relationship (Note 2)											
0	AP Memory Technology Corporation	Zentel Electronics Corp.	(2)	\$ 930,891	\$ 100,000	\$ 100,000	\$ -	\$ -	3.22	\$ 1,511,485	Y	N	N	
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(2)	930,891	28,480	28,480	-	-	0.92	1,511,485	Y	N	N	
1	Zentel Electronics Corp.	AP Memory Technology (Hangzhou) Limited Co.	(4)	286,738	56,960	56,960	56,960	56,960	5.96	477,897	N	N	Y	

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

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

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

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

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

AP Memory Technology Corporation and Subsidiaries  
Marketable Securities Held at the End of the Year  
December 31, 2020

Appendix 3

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

Held company	Type and name of marketable securities	Relationship with the issuer of securities	Account	At the end of the year (period)				Remarks
				Number of shares/ units	Carrying value	Percentage of ownership (%)	Fair value	
AP Memory Technology Corporation	Trust fund beneficiary certificates CTBC Hwa-win Money Market Fund	-	Current financial assets at fair value through profit or loss - Current	9,011,535	\$ 100,096	-	\$ 100,096	
	Mega Diamond Money Market Fund	-	Current financial assets at fair value through profit or loss - Current	6,332,158	80,101	-	80,101	
	Equity investments in unlisted (non-OTC) stocks Powerchip Semiconductor Manufacturing Corp.	-	Current financial assets at fair value through profit or loss-Non-current	800,000	39,984	0.026%	39,984	
	Haining Changmeng Technology Partnership Enterprise (Limited Partnership)	-	Current financial assets at fair value through profit or loss-Non-current	-	27,243	24.64%	27,243	
	GeneASIC Technologies Corporation		Current financial assets at fair value through profit or loss-Non-current	500,000	789	19.05%	789	
Zentel Electronics Corp.	Trust fund beneficiary certificates CTBC Hwa-win Money Market Fund	-	Current financial assets at fair value through profit or loss - Current	21,631,805	240,275	-	240,275	
	Mega Diamond Money Market Fund	-	Current financial assets at fair value through profit or loss - Current	20,556,973	260,044	-	260,044	
	Jih Sun Money Market Fund	-	Current financial assets at fair value through profit or loss - Current	16,723,750	250,020	-	250,020	

Note 1: Please refer to Appendixes 8 and 9 for more information about investments in subsidiaries and associates.



AP Memory Technology Corporation and Subsidiaries  
Marketable Securities Acquired or Disposed of at Costs or Prices of at Least NT\$300 Million or 20% of the Paid-in Capital  
For the year ended December 31, 2020

Appendix 4

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

Company name	Type and name of marketable securities (Note 1)	Financial statement account	Counterparty (Note 2)	Relationship (Note 2)	Beginning balance		Acquisition (Note 3)		Disposal (Note 3)				Ending balance	
					No. of shares/ units	Amount	No. of shares/ units	Amount	No. of shares/ units	Price	Carrying amount	Gain (loss) on disposal	No. of shares/ units	Amount
Zentel Electronics Corp.	<u>Stock</u> Zentel Japan Corp.	Investments accounted for using equity method	Eaglestream Technology Holdings (Hong Kong) Limited	Non-related party	9,000	\$ 58,636	-	\$ -	9,000	\$ 827,576	\$ 254,304	\$ 428,349	-	\$ -
AP Memory Technology Corporation and Zentel Electronics Corp.	<u>Trust fund</u> <u>beneficiary certificates</u> CTBC Hwa-win Money Market Fund	Current financial assets at fair value through profit or loss – Current	PTC	Non-related party	2,712,183	30,003	30,643,340	340,000	2,712,183	30,033	30,003	30	30,643,340	340,371
AP Memory Technology Corporation and Zentel Electronics Corp.	Mega Diamond Money Market Fund	Current financial assets at fair value through profit or loss – Current	-	-	-	-	26,889,131	340,000	-	-	-	-	26,889,131	340,145
Zentel Electronics Corp.	Jih Sun Money Market Fund	Current financial assets at fair value through profit or loss – Current	-	-	-	-	16,723,750	250,000	-	-	-	-	16,723,750	250,020

Note 1: The marketable securities are stocks, bonds, mutual funds and derivative marketable securities.

Note 2: These two columns should be filled in if the marketable securities are recognized as investments accounted for using the equity method.

Note 3: The accumulated acquisition and disposal amount should be individually calculated based on market value to determine if it exceeds NT\$300 million or 20% of the paid-in capital.

AP Memory Technology Corporation and Subsidiaries  
Total Purchases from or Sales to Related Parties of at Least NT\$100 million or 20% of the Paid-in Capital  
For the year ended December 31, 2020

Appendix 5

(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	(\$ 228,678 )	( 6.36% )	OA 75 day	\$ -	-	\$ 151,870	20.01%	
AP Memory Technology Corporation	Zentel Japan Corp.	Sub-subsidiary (Note 2)	Sale	( 349,866 )	( 9.73% )	OA 120 day	-	-	-	-	
AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	Subsidiary	Sale	( 144,805 )	( 4.03% )	OA 60 day	-	-	48,604	6.41%	

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

Note 2: The Corporation has lost control over Zentel Japan after selling 24% of its equity on January 2, 2020 and the remaining on November 30, 2020. The corporation already transferred related account receivables that already exceeded the payment term to other receivables.

AP Memory Technology Corporation and Subsidiaries  
Receivables from Related Parties Amounting to at Least NT\$100 million or 20% of the Paid-in Capital  
December 31, 2020

Appendix 6

(In Thousands of New Taiwan Dollars  
Unless Otherwise Specified)

Company name	Related party	Nature of relationship	Ending balance (Note 1)	Turnover	Overdue		Amount(s) received in subsequent period	Allowance for bad debts
					Amount	Action(s) taken		
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	Sub-subsidiary	\$ 151,870	3.01	\$ -	-	\$ 84,753	\$ -

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

AP Memory Technology Corporation and Subsidiaries  
Intercompany Relationships and Significant Intercompany Transactions  
For the year ended December 31, 2020

Appendix 7

(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	\$ 65,835	Note 5	1.86%
0	AP Memory Technology Corporation	AP Memory Corp, USA	(1)	Other payables	15,445	Note 5	0.39%
0	AP Memory Technology Corporation	Zentel Electronics Corp.	(1)	Operating revenue	56,071	Note 5	1.58%
0	AP Memory Technology Corporation	Zentel Electronics Corp.	(1)	Purchase	15,715	Note 5	0.44%
0	AP Memory Technology Corporation	Zentel Electronics Corp.	(1)	Other income	24,000	Note 5	0.68%
0	AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	(1)	Operating revenue	144,805	Note 5	4.08%
0	AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	(1)	Accounts receivable	48,604	Note 5	1.22%
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(1)	Operating revenue	228,678	Note 5	6.44%
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(1)	Accounts receivable	151,870	Note 5	3.81%
0	AP Memory Technology Corporation	Zentel Japan Corp.	(1)	Operating revenue	349,866	Note 5	9.86%
0	AP Memory Technology Corporation	Zentel Japan Corp.	(1)	Purchase	65,467	Note 5	1.84%
0	AP Memory Technology Corporation	Zentel Japan Corp.	(1)	Contracted research expenses	33,420	Note 5	0.94%
1	AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited	(3)	Revenue from the rendering of services	25,600	Note 5	0.72%
1	AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited .	(3)	Accounts receivable	16,906	Note 5	0.42%
1	AP Memory Technology (Hangzhou) Limited Co.	Zentel Japan Corp.	(3)	Other operating revenue	193	Note 5	-
2	Zentel Electronics Corp.	Zentel Japan Corp.	(3)	Operating revenue	8,864	Note 5	0.25%
2	Zentel Electronics Corp.	Zentel Japan Corp.	(3)	Purchase	31,975	Note 5	0.90%

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

- (1) Parent company: “0”.
- (2) Subsidiaries: are numbered starting from “1”.

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

- (1) Parent company to subsidiary;
- (2) Subsidiary to parent company;
- (3) Subsidiary to subsidiary.

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

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

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

AP Memory Technology Corporation and Subsidiaries

Information of Investees

For the year ended December 31, 2020

Appendix 8

(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 (Notes 2 and 3)	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%	\$ 43,245	( \$ 982 ) ( USD 33,222 )	( \$ 982 )	Subsidiary
	AP MEMORY HOLDING Co., Ltd.	P.O.Box 1239,Offshore Incorporations Centre, Victoria, Mahé, Republic of Seychelles	Investment related services	-	31,982 ( USD 1,000,000 )	-	-	-	( 2,702 )	( 2,702 )	Subsidiary (Note 7)
	Zentel Electronics Corp.	10F-1, No. 1, Taiyuan 1st St., Zhubei City, Hsinchu County	IC research, development and sales	705,798	705,798	40,000,000	100%	955,794	462,615	319,285	Subsidiary
	Lyontek Inc.	No. 17, Industry East 2nd Road, East District, Hsinchu City	IC design and sales	75,060	75,060	3,600,000	30%	79,905	17,065	5,120	Associate
	AP Memory Japan G.K.	5-5 Azumachō, Hachioji, Tokyo	Sale of ICs	-	-	-	-	-	-	-	Subsidiary (Note 4)
	GeneASIC Technologies Corporation	No. 88, Weixin St., Zhubei City, Hsinchu County	IC design and manufacturing.	-	-	-	-	-	( 860 )	( 172 )	Associate (Note 8)
Zentel Electronics Corp.	Zentel Japan Corp.	6-chōme-21-3 Shinbashi, Minato City, Tokyo	IC development and design	-	489,169 ( JPY 1,774,924,000 )	-	-	-	38,641	29,367	Subsidiary (Note 6)
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	-	-	-	100%	9	9	9	Subsidiary (Note 5)

Note 1: Based on the exchange rate at December 31, 2020.

Note 2: Based on the average exchange rate for the year ended December 31, 2020.

Note 3: Apart from GeneASIC Technologies Corporation, the numbers are calculated based on investor's CPA-certified financial statements prepared for the same fiscal year. The Corporation's assessment on GeneASIC Technologies Corporation has not been audited, but will not result in significant influence.

Note 4: The Group reached a decision to dissolve AP Memory Japan G.K. on September 18, 2020; and completed the registration on November 2, 2020.

Note 5: To cope with the future operational deployment planning, AP Memory Technology (Hangzhou) Limited Co. established a subsidiary "AP Memory Technology (Hong Kong) Co. Limited" in Hong Kong in October 2019. However, no capital has been invested therein so far.

Note 6: Zentel Japan sold 24% equity on January 2, 2020 and the remaining on November 30, 2020.

Note 7: The Group already sold all its equity in AP-HOLDING on March 20, 2020.

Note 8: GeneASIC Technologies Corporation had a seasoned equity offering (SEO) on December 15, 2020. The Group, which has its shareholding ratio dropped from 20% to 19.05% , lost its significant influence on the company.

AP Memory Technology Corporation and Subsidiaries  
Information on investments in Mainland China - AP Memory Technology Corporation  
For the year ended December 31, 2020

Appendix 9

(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 4)	The Corporation's direct or indirect shareholding	Investment profit or loss recognized in the year (Notes 4 and 6)	Carry amount of the investment at the end of the year (Notes 5 and 6)	Inward investment benefits at the end of the year
					Outflow	Inflow						
AP Electronics (Beijing) Co., Ltd.	Technical consulting and services of ICs	\$ 27,601 ( USD 850,000 )	Note 2	\$ 27,601 ( USD 850,000 )	\$ -	\$ Note 9	\$ -	( \$ 2,710 )	-	( \$ 2,710 )	\$ -	\$ -
AP Memory Technology (Hangzhou) Limited Co.	IC research, development and sales	30,344 ( USD 1,000,000 )	Note 3	30,344 ( USD 1,000,000 )	-	-	30,344 ( USD 1,000,000 )	\$ 6,284	100%	6,284	24,873	-

Accumulated Investment in Mainland China at the end of the year	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$30,344(USD1,000,000)	\$30,344(USD1,000,000)	\$1,861,782 (Note 7)

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

Note 2: A reinvestment made through AP MEMORY HOLDING Co., Ltd., which is in a third place.

Note 3: A direct investment to AP Memory Technology (Hangzhou) Limited Co. by AP Memory Technology Corporation.

Note 4: Based on the average exchange rate of 2020.

Note 5: Based on the exchange rate at December 31, 2020.

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

Note 7: The calculation is made based on 60% of the Corporation's net value at December 31, 2020 in accordance with Letter Ching-Shen-Tzu No. 09704604680 issued by the Ministry of Economic Affairs.

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

Note 9: The Group sold AP-Holding on March 20, 2020 and therefore immediately lost control over AP Beijing possessed by AP-HOLDING (with 100% shareholding).

AP Memory Technology Corporation  
Information on Major Shareholders  
December 31, 2020

Appendix 10

Name of major shareholders	Shares	
	No. of shares	Percentage of ownership
Shanyi Investment Co.,Ltd.	13,228,334	17.82
Huang Chung-jen	4,030,503	5.43

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

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual truster 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 parent company only financial statements of AP Memory Technology Corporation (hereinafter referred to as the Corporation), which comprise the parent company only balance sheet ("parent company only balance sheet") as of December 31, 2020 and 2019, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2020 and 2019, and its parent company only financial performance and its parent company only 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 generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent company only 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 parent company only financial statements for the year ended 2020. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



### Assessment of Allowance for Inventory Falling Price Loss

As of December 31, 2020, the carrying amount of the Corporation's inventories was \$624,852,000, which is a significant amount that accounts for 16% of the Corporation's total assets. As determining related allowance for inventory falling price loss is subject to management's judgement and the management of physical inventories as described in Note 4 (5) and Note 5 of the Corporation's Parent company only Financial Statements, plus market competition can affect the estimation of the net realizable value of inventory, we considered the allowance for inventory falling price loss as a key audit matter.

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

1. Understand inventory management related internal control systems and evaluate the design and implementation thereof.
2. Observe the annual inventory count to understand the status of slow-moving and damaged inventory; and further confirm whether to set relative loss of inventory falling price aside.
3. A test is carried out with the "Inventory Aging Report" and "Net Realizable Value of Inventories Report" used for the assessment. The test includes the verification of the report integrity and net realizable value; and recalculations for verifying the accuracy of related reports. In the meantime, a retrospective test is also carried out based on impairment loss incurred in the previous fiscal year and whether such loss will incur in the following years.

### **Responsibilities of Management and Those Charged with Governance for the Parent company only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only 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 Parent company only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only 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 generally accepted 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 parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only 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 parent company only 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 parent company only financial statements, including the disclosures, and whether the parent company only 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 parent company only 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 parent company only financial statements for the year ended 2020 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

CPA Chiu Cheng-chun

CPA Wu Shih-tsung

Date: March 12, 2021

AP Memory Technology Corporation  
PARENT COMPANY ONLY BALANCE SHEETS  
As of December 31, 2020 and 2019

(In Thousands of New Taiwan Dollars)

Code	Assets	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	Current assets				
1100	Cash (Notes 4 and 6)	\$ 225,802	6	\$ 217,164	7
1110	Valuation gain on financial assets at fair value through profit or loss - Current (Notes 4 and 7)	180,197	5	30,003	1
1136	Financial assets at amortized cost - Current (Notes 4, 8 and 29)	2,744	-	2,720	-
1170	Accounts receivable (Notes 4, 9 and 20)	556,225	15	452,060	14
1180	Accounts receivable from related parties (Notes 4, 9 and 28)	200,474	5	176,638	6
1220	Current tax assets	14,836	-	-	-
1200	Other receivables (Notes 4, 9 and 28)	401,081	10	53,310	2
1310	Inventories (Notes 4, 5 and 10)	624,862	16	975,852	31
1470	Other current assets (Note 15)	1,009	-	10,886	-
11XX	Total current assets	<u>2,207,230</u>	<u>57</u>	<u>1,918,633</u>	<u>61</u>
	Non-current assets				
1510	Valuation gain on financial assets at fair value through profit or loss- Non-current (Notes 4 and 7)	68,016	2	45,179	2
1550	Investments accounted for using equity method (Notes 4 and 11)	1,103,817	29	739,136	24
1600	Property, plant and equipment (Notes 4 and 12)	5,723	-	9,816	-
1755	Right-of-use assets (Notes 4 and 13)	40,955	1	9,542	-
1821	Other intangible assets (Notes 4 and 14)	13,973	-	28,858	1
1840	Deferred income tax assets (Notes 4 and 22)	78,811	2	74,075	2
1915	Prepayments for business facilities	1,869	-	2,250	-
1920	Refundable deposits (Note 17)	208,194	6	203,433	7
1990	Other non-current assets (Note 15)	122,764	3	103,221	3
15XX	Total non-current assets	<u>1,644,122</u>	<u>43</u>	<u>1,215,510</u>	<u>39</u>
1XXX	Total assets	<u>\$ 3,851,352</u>	<u>100</u>	<u>\$ 3,134,143</u>	<u>100</u>
Code	Liabilities and equity				
	Current liabilities				
2100	Short-term loans (Note 16)	\$ 85,140	2	\$ 200,000	7
2170	Accounts payable from non-related parties	228,188	6	243,722	8
2180	Accounts payable from related parties (Note 28)	-	-	166,474	5
2200	Other payables (Note 17)	305,268	8	133,797	4
2220	Other payables from related parties (Note 28)	15,843	1	16,566	1
2230	Current tax liabilities	71,602	2	-	-
2280	Lease liabilities—Current (Notes 4 and 13)	15,696	-	5,434	-
2300	Other current liabilities (Notes 17 and 20)	1,726	-	3,101	-
21XX	Total current liabilities	<u>723,463</u>	<u>19</u>	<u>769,094</u>	<u>25</u>
	Non-current liabilities				
2580	Lease liabilities - Non-current (Notes 4 and 13)	24,686	-	4,126	-
2570	Deferred tax liabilities(Notes 4 and 22)	233	-	3,602	-
2612	Long-term payables(Note 17)	-	-	194,764	6
25XX	Total non-current liabilities	<u>24,919</u>	<u>-</u>	<u>202,492</u>	<u>6</u>
2XXX	Total liabilities	<u>748,382</u>	<u>19</u>	<u>971,586</u>	<u>31</u>
	Equity (Notes 4, 19 and 24)				
	Share capital				
3110	Ordinary share	742,316	19	738,535	23
3140	Advance receipts for ordinary share	532	-	-	-
3100	Total shares	<u>742,848</u>	<u>19</u>	<u>738,535</u>	<u>23</u>
3200	Capital surplus	<u>1,020,722</u>	<u>27</u>	<u>838,388</u>	<u>27</u>
	Retained earnings				
3310	Legal reserve	282,992	8	282,992	9
3320	Special reserve	4,576	-	3,225	-
3350	Unappropriated retained earnings	1,053,036	27	316,359	10
3300	Total retained earnings	<u>1,340,604</u>	<u>35</u>	<u>602,576</u>	<u>19</u>
	Other equity interest				
3410	Exchange differences on translation of foreign financial statements	10,042	-	( 4,576 )	-
3490	Unearned compensation cost	-	-	( 1,120 )	-
3400	Total other equity interest	<u>10,042</u>	<u>-</u>	<u>( 5,696 )</u>	<u>-</u>
3500	Treasury shares	( 11,246 )	-	( 11,246 )	-
3XXX	Total equity	<u>3,102,970</u>	<u>81</u>	<u>2,162,557</u>	<u>69</u>
	Total liabilities and equity	<u>\$ 3,851,352</u>	<u>100</u>	<u>\$ 3,134,143</u>	<u>100</u>

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

AP Memory Technology Corporation

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2020 and 2019

(In Thousands of New Taiwan Dollars,  
except earning/ deficit per share)

Code		2020		2019	
		Amount	%	Amount	%
4100	Operating revenue (Notes 4, 20 and 28)	\$ 3,535,263	100	\$ 3,294,736	100
5110	Operating costs (Notes 10, 21 and 28)	<u>2,549,684</u>	<u>72</u>	<u>3,000,251</u>	<u>91</u>
5900	Gross profit	<u>985,579</u>	<u>28</u>	<u>294,485</u>	<u>9</u>
	Operating expense (Notes 4, 21, 24 and 28)				
6100	Selling expense	69,721	2	64,528	2
6200	Administrative expense	85,305	3	63,450	2
6300	Research and development expense	294,269	8	291,626	9
6400	Expected credit loss	<u>2,086</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000	Total operating expense	<u>451,381</u>	<u>13</u>	<u>419,604</u>	<u>13</u>
6900	Net operating income (loss)	<u>534,198</u>	<u>15</u>	( <u>125,119</u> )	( <u>4</u> )
	Non-operating income and expense				
7070	Share of profit of subsidiaries and associates accounted for using equity method (Notes 4 and 11)	326,833	9	27,337	1
7100	Interest income (Note 4)	2,038	-	2,171	-
7190	Interest income (Notes 4, 21 and 28)	25,212	1	24,002	1
7225	Net loss on disposals of investments (Notes 7 and 25)	( 5,078 )	-	-	-
7230	Net foreign exchange loss (Notes 4, 21 and 30)	( 44,017 )	( 1 )	( 8,708 )	-

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Code		2020		2019	
		Amount	%	Amount	%
7235	Net gains on financial assets at fair value through profit or loss (Note 4)	38,050	1	57	-
7020	Other loss (Note 17)	\$ -	-	( \$ 342,309 )	( 11 )
7510	Interest expense	( 1,727 )	-	( 3,523 )	-
7610	Loss on disposals of property, plant and equipment	( 142 )	-	-	-
7000	Total non-operating income and expense	341,169	10	( 300,973 )	( 9 )
7900	Income before tax	875,367	25	( 426,092 )	( 13 )
7950	Income tax expense recognized in profit or loss (Notes 4 and 22)	( 63,657 )	( 2 )	31,027	1
8200	Net profit (loss) for the year	811,710	23	( 395,065 )	( 12 )
	Other comprehensive income (Notes 4 and 19)				
8360	Items that may be reclassified subsequently to profit or loss::				
8361	Exchange differences on translating the financial statements of foreign operations	( 1,832 )	-	( 1,977 )	-
8380	Share of the other comprehensive income of subsidiaries accounted for using equity method	12,857	-	626	-
		11,025	-	( 1,351 )	-
8300	Other comprehensive income for the year (net of income tax)	11,025	-	( 1,351 )	-
8500	Total comprehensive income for the year	\$ 822,735	23	( \$ 396,416 )	( 12 )
	Earnings (losses) per share (Note 23)				
9750	Basic	\$ 11.00		( \$ 5.33 )	
9850	Diluted	\$ 10.84		( \$ 5.33 )	

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

AP Memory Technology Corporation  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
For the years ended December 31, 2020 and 2019

(In Thousands of New Taiwan Dollars)

		Ordinary share (Notes 4, 19 and 24)				Capital surplus (Notes 4, 19 and 24)	Retained earnings (Notes 4 and 19)				Other equity (Notes 4, 19 and 24)				
Code		Number of shares (in thousands)	Amount	Advance receipts for ordinary share	Total shares		Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translating the financial statements of foreign operations	Unearned compensation cost	Total	Treasury shares (Notes 4 and 19)	Total equity
A1	Balance at January 1, 2019	75,280	\$ 752,805	\$ -	\$ 752,805	\$ 851,282	\$ 271,445	\$ 5,594	\$ 781,918	\$ 1,058,957	( \$ 3,225 )	( \$ 10,102 )	( \$ 13,327 )	( \$ 11,246 )	\$ 2,638,471
	Appropriation and distribution of earnings for the year 2018														
B1	Legal reserve	-	-	-	-	-	11,547	-	( 11,547 )	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	-	-	( 2,369 )	2,369	-	-	-	-	-	-
B5	Cash dividends distributed by the Corporation	-	-	-	-	-	-	-	( 37,539 )	( 37,539 )	-	-	-	-	( 37,539 )
T1	Compensation cost for employee share options	-	-	-	-	3,172	-	-	-	-	-	-	-	-	3,172
D1	Net profit for the year 2019	-	-	-	-	-	-	-	( 395,065 )	( 395,065 )	-	-	-	-	( 395,065 )
D3	Other comprehensive income after tax for the year 2019	-	-	-	-	-	-	-	-	-	( 1,351 )	-	( 1,351 )	-	( 1,351 )
D5	Total comprehensive income for the year 2019	-	-	-	-	-	-	-	( 395,065 )	( 395,065 )	( 1,351 )	-	( 1,351 )	-	( 396,416 )
N1	Issuance of ordinary shares under the employee share option plan	79	790	-	790	903	-	-	-	-	-	-	-	-	1,693
T1	Retirement of restricted stock awards (RSAs)	( 6 )	( 60 )	-	( 60 )	( 421 )	-	-	-	-	-	120	120	-	( 361 )
N1	Issuance of restricted stock awards (RSAs) by the Corporation	-	-	-	-	-	-	-	-	-	-	8,862	8,862	-	8,862
L1	Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	( 55,325 )	( 55,325 )
L3	Retirement of treasury shares	( 1,500 )	( 15,000 )	-	( 15,000 )	( 16,548 )	-	-	( 23,777 )	( 23,777 )	-	-	-	55,325	-
Z1	Balance at December 31, 2019	73,853	738,535	-	738,535	838,388	282,992	3,225	316,359	602,576	( 4,576 )	( 1,120 )	( 5,696 )	( 11,246 )	2,162,557
	Appropriation and distribution of earnings for the year 2019														
B3	Special reserve	-	-	-	-	-	-	1,351	( 1,351 )	-	-	-	-	-	-
B5	Cash dividends distributed by the Corporation	-	-	-	-	-	-	-	( 73,682 )	( 73,682 )	-	-	-	-	( 73,682 )
T1	Compensation cost for employee share options	-	-	-	-	10,365	-	-	-	-	-	-	-	-	10,365
D1	Net profit for the year 2020	-	-	-	-	-	-	-	811,710	811,710	-	-	-	-	811,710
D3	Other comprehensive income after tax for the year 2020	-	-	-	-	-	-	-	-	-	11,025	-	11,025	-	11,025
D5	Total comprehensive income for the year 2020	-	-	-	-	-	-	-	811,710	811,710	11,025	-	11,025	-	822,735
M5	Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	153,042	-	-	-	-	3,593	-	3,593	-	156,635
M7	Changes in ownership interests in subsidiaries	-	-	-	-	401	-	-	-	-	-	-	-	-	401
N1	Issuance of ordinary shares under the employee share option plan	378	3,781	532	4,313	18,526	-	-	-	-	-	-	-	-	22,839
N1	Issuance of restricted stock awards (RSA) by the Corporation	-	-	-	-	-	-	-	-	-	-	1,120	1,120	-	1,120
Z1	Balance at December 31, 2020	<u>74,231</u>	<u>\$ 742,316</u>	<u>\$ 532</u>	<u>\$ 742,848</u>	<u>\$ 1,020,722</u>	<u>\$ 282,992</u>	<u>\$ 4,576</u>	<u>\$ 1,053,036</u>	<u>\$ 1,340,604</u>	<u>\$ 10,042</u>	<u>\$ -</u>	<u>\$ 10,042</u>	( <u>\$ 11,246</u> )	<u>\$ 3,102,970</u>

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

AP Memory Technology Corporation  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020 and 2019

(In Thousands of New Taiwan Dollars)

Code		2020	2019
	Cash flow from operating activities		
A10000	Income before tax for the year	\$ 875,367	( \$ 426,092 )
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expense	13,814	37,815
A20200	Amortization expense	16,403	15,482
A20300	Expected credit loss	2,086	-
A20400	Valuation gain on financial assets at fair value through profit or loss	( 38,050 )	( 3 )
A20900	Interest expense	1,727	3,523
A21200	Interest income	( 2,038 )	( 2,171 )
A21300	Dividend income	( 155 )	-
A21900	Cost of share-based payment	11,917	10,167
A22300	Share of profit (loss) of subsidiaries and associates accounted for using equity method	( 326,833 )	( 27,337 )
A22500	Loss on disposal and scrap of property, plant and equipment	142	-
A29900	Loss on disposal of subsidiaries accounted for using equity method	5,539	-
A23200	Gains on disposal of associates accounted for using equity method	( 461 )	-
A23700	Loss of inventory falling price and slow-moving inventory	26,333	2,209
A23900	Reversal of (reserve for) unrealized loss on transaction with associates	9,728	( 9,728 )
A24100	Unrealized foreign exchange loss	24,645	1,921
A29900	Reserve for customer complaint loss	-	342,309
A30000	Changes in operating assets and liabilities		
A31115	Decrease (increase) in financial assets mandatorily measured at fair value through profit or loss	( 134,192 )	( 75,179 )
A31150	Accounts receivable	( 516,817 )	( 53,855 )
A31180	Other receivables	( 1,374 )	( 20,951 )
A31200	Inventories	324,657	603,445
A31230	Prepayment	( 7,847 )	101,727
A31240	Other current assets	431	804
A31990	Refundable deposits	-	( 200,000 )
A32150	Accounts payable	( 180,946 )	( 490,920 )

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C o d e		2020	2019
A32180	Other payables	( 24,147 )	( 113,043 )
A32230	Other current liabilities	( 1,375 )	( 13,761 )
A33000	Cash inflow (outflow) generated from operations	78,554	( 313,638 )
A33100	Interest received	2,014	2,171
A33200	Dividend received	155	-
A33300	Interest paid	( 1,806 )	( 3,318 )
A33500	Income taxes paid	( 160 )	( 15,553 )
AAAA	Net cash inflow (outflow) generated from operating activities	<u>78,757</u>	( <u>330,338</u> )
	Cash flows from investing activities		
B02300	Proceeds from disposal of subsidiaries	6,946	-
B01800	Acquisition of investment accounted for using equity method	( 500 )	-
B00600	Acquisition of financial assets at amortized cost	-	( 25 )
B02700	Purchase of property, plant and equipment	( 3,107 )	( 3,688 )
B03700	Decrease (increase) in refundable deposits	( 4,761 )	1,307
B04500	Acquisition of intangible assets	( 1,518 )	( 10,824 )
B07100	Increase in prepayments for business facilities	( 1,869 )	-
B07600	Dividends received from associates and subsidiaries	<u>107,740</u>	<u>122,108</u>
BBBB	Net cash flows from investing activities	<u>102,931</u>	<u>108,878</u>
	Cash flows from financing activities		
C00200	Decrease in short-term loans	( 114,860 )	( 100,000 )
C04020	Payment of lease liabilities	( 7,347 )	( 11,280 )
C04500	Cash dividend paid	( 73,682 )	( 37,539 )
C04800	Exercise of employee share options	22,839	1,693
C04900	Payments to acquire or redeem entity's shares	-	( 55,325 )
C05400	Acquisition of ownership interests in subsidiaries (Note 11)	-	( 7,685 )
C05500	Disposal of ownership interests in subsidiaries	<u>-</u>	<u>279,533</u>
CCCC	Net cash flows from (used in) financing activities	( <u>173,050</u> )	<u>69,397</u>
EEEE	Net increase (decrease) in cash	8,638	( 152,063 )
E00100	Cash at the beginning of the year	<u>217,164</u>	<u>369,227</u>
E00200	Cash at the end of the year	<u>\$ 225,802</u>	<u>\$ 217,164</u>

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

AP Memory Technology Corporation  
Notes to the Parent company only financial statements  
For the years ended December 31, 2020 and 2019  
(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 parent company only 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 March 12, 2021.

3. Application of New Amended and Revised Standards and Interpretation

- a. 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.

- b. Applicable IFRSs endorsed by FSC

Newly released, amended or revised standards and interpretations	Effective date issued by IASB
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	Effective on the date of promulgation
Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS )	Effective for annual reporting periods beginning on or after January 1, 2022
Covid-19-Related Rent Concessions (Amendment to IFRS 16 )	Effective for annual reporting periods beginning on or after June 1, 2022

According to the Corporation’s evaluation, amendments to the above standards and interpretations would not cause significant changes to the Corporation’s accounting policies.

- c. 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)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendment to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendment to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Undefined
“Insurance Contract” of IFRS 17	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendment to IAS 1 “Classifying liabilities as current or non-current”	January 1, 2023
Amendment to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendment to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendment to IAS 16 “Property, plant and equipment Proceeds before intended use”	January 1, 2022 (Note 4)
Amendment to IAS 37 “Onerous Contracts — Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 3: The Corporation shall apply the amendment to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The Corporation shall apply the amendment retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the first annual reporting period beginning on or after January 1, 2021.

Note 5: The Corporation shall apply the amendment to contracts for which the Corporation has not yet fulfilled all its obligations at the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 6: The effective date of the amendment shall be delayed to annual reporting periods beginning on or after January 1, 2023.

Note 7: The Corporation shall apply the amendment to changes in accounting estimates and accounting policy at the beginning of the annual reporting period beginning on or after January 1, 2023.

As of the issue date of the parent company only 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

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and related regulations.

b. Basis of preparation

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

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

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

When preparing these parent company only 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 parent company only 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 parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) 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:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, and

- 3) 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.

d. 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 parent company only 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.

e. 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.

f. 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 parent company only financial statements.

g. 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 shall cease the use of equity method from the date that significant influence or joint control ceases; and the ownership interests retained thereby in associates and joint ventures shall be measured at fair value. Any difference between the fair value, sales proceeds and the carrying amount of the investment on the date when the equity method ceases shall be recognized in profit or loss in the period.

When the Corporation 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 Corporation.

h. 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.

i. Intangible assets

1) 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.

2) 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.

j. 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.

k. Financial instruments

Financial assets and financial liabilities are recognized in parent company only 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.

1) Financial assets



All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

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.

i. 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.

ii. 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, 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.

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.

2) 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.

3) 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.

l. Revenue recognition

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

1) 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 Corporation does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Revenue from the rendering of services

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

m. 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 parent company only 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 parent company only balance sheet.

n. Employee benefits

1) 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.

2) Retirement benefits

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

o. Share-based payment arrangements

1) 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 or other equity

(unearned compensation cost). 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 and RSAs expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that cumulative expense reflect the revised estimate, with a corresponding adjustment to capital surplus – employee share options or capital surplus - RSAs.

2) 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.

p. Income taxes

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

1) 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.

2) 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.

3) 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.

Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sale of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. Cash and Cash Equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$ 30	\$ 30
Demand deposits	<u>225,772</u>	<u>217,134</u>
	<u>\$ 225,802</u>	<u>\$ 217,164</u>

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

	December 31, 2020	December 31, 2019
Bank deposit	0.001%-0.05%	0.01%-0.38%

7. Financial Instruments at FVTPL

	December 31, 2020	December 31, 2019
<u>Financial Assets — Current</u>		
Non-derivative financial assets		
— Trust fund beneficiary certificates	<u>\$ 180,197</u>	<u>\$ 30,003</u>
<u>Financial assets - Non-current</u>		
Non-derivative financial assets		
— Domestic and foreign unlisted (non-OTC) stocks		
Haining Changmeng Technology Partnership Enterprise (Limited Partnership) (a)	\$ 27,243	\$ 30,029
Powerchip Semiconductor Manufacturing Corp.(b)	39,984	15,150
GeneASIC Technologies Corporation(c)	<u>789</u>	<u>-</u>
	<u>\$ 68,016</u>	<u>\$ 45,179</u>

- a. The Corporation signed an investment agreement with Haining Changmeng Technology Partnership Enterprise (Limited Partnership) (hereinafter referred to as Haining Changmeng) in August 2019. With a total investment of RMB6,900 thousand (24.64%), the Corporation does not have the ability to influence relevant activities and therefore does not have relevant significant influence.
- b. The Corporation acquired 1,500 thousand ordinary shares of Powerchip Semiconductor Manufacturing Corp. (hereinafter referred to as Powerchip), counting 0.048% of Powerchip's issued shares, in August 2019 at the price of \$15,150 thousand. Later in June 2020, the Corporation sold 700,000 shares at \$15,775 thousand, produced realized benefits of 8,705 thousand. As of December 31, 2020, the Corporation possesses 0.026% of Powerchip's issued shares.
- c. In August 2020, the Corporation acquired 50 thousand ordinary shares of GeneASIC Technologies Corporation (hereinafter referred to as GeneASIC) with a in August 2020 at the price of \$500 thousand. The shareholding ratio thereof is 20% and this investment is listed as investments accounted for using equity method. Nevertheless, as the Corporation

failed to participate in GeneASIC's seasoned equity offering (SEO) in December 2020, its shareholding ratio therefore dropped to 19.05%. As such change has affected the Corporation's significant influence over GeneASIC, investments to GeneASICs are measured at fair value and are recognized as financial assets at fair value through profit or loss. The difference with the carrying value is \$461 thousand, which is recognized as gains on disposal of fixed assets.

8. Financial Assets at Amortized Cost

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Domestic investments		
Time deposits with the original maturity of more than 3 months.	<u>\$ 2,744</u>	<u>\$ 2,720</u>

Please refer to Note 29 for information relating to investments

9. Accounts Receivable and Other Receivables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Accounts receivable (1)</u>		
Measured at amortized cost		
Gross carrying amount	\$ 558,311	\$ 452,060
Less: Allowance for impairment loss	( <u>2,086</u> )	<u>-</u>
	<u>\$ 556,225</u>	<u>\$ 452,060</u>
<u>Accounts receivable from related parties (a)</u>		
Measured at amortized cost	<u>\$ 200,474</u>	<u>\$ 176,638</u>

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	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Other receivables (b)</u>		
Loans receivable		
Fixed interest rate	\$ 381,523	\$ -
Tax refund receivable	19,198	47,010
Management fee receivable	-	6,300
Others	<u>360</u>	<u>-</u>
	<u>\$ 401,081</u>	<u>\$ 53,310</u>

a. 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. As the Corporation's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for impairment loss allowance based on past due status is not further distinguished according to the Corporation's 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 based on the Corporation's assessment.

December 31, 2020

	<u>Not past due</u>	<u>Due in 1 – 30 days</u>	<u>Due in 31 – 60 days</u>	<u>Due in 61 – 90 days</u>	<u>Due in 91 – 180 days</u>	<u>Due in 181 – 360 days</u>	<u>Due in more than 360 days</u>	<u>Total</u>
Gross carrying amount	\$ 681,610	\$ 39,298	\$ 35,075	\$ -	\$ 2,802	\$ -	\$ -	\$ 758,785
Impairment loss allowance (lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 2,086 )</u>	<u>-</u>	<u>-</u>	<u>( 2,086 )</u>
Amortized cost	<u>\$ 681,610</u>	<u>\$ 39,298</u>	<u>\$ 35,075</u>	<u>\$ -</u>	<u>\$ 716</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 756,699</u>

December 31, 2019

	<u>Not past due</u>	<u>Due in 1 – 30 days</u>	<u>Due in 31 – 60 days</u>	<u>Due in 61 – 90 days</u>	<u>Due in 91 – 180 days</u>	<u>Due in 181 – 360 days</u>	<u>Due in more than 360 days</u>	<u>Total</u>
Gross carrying amount	\$ 566,242	\$ 33,635	\$ 24,265	\$ 4,556	\$ -	\$ -	\$ -	\$ 628,698
Impairment loss allowance (lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 566,242</u>	<u>\$ 33,635</u>	<u>\$ 24,265</u>	<u>\$ 4,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 628,698</u>

The movements in the impairment loss allowance of accounts receivable are as follows  
(Year 2019: None) :

	<u>2020</u>
Balance at the beginning of the year	\$ -
Add: Impairment loss recognized for the year	<u>2,086</u>
Cash at the end of the year	<u>\$ 2,086</u>

b. Other receivables — Loans receivable

The interest rate exposure and contract expiry date of the Corporation's fixed-rate loans receivable are as follows (December 31, 2019: None) :

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

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

10. Inventories

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Finished goods	\$ 156,371	\$ 329,048
Work-in-process goods	263,186	309,790
Raw materials	<u>205,305</u>	<u>337,014</u>
	<u>\$ 624,862</u>	<u>\$ 975,852</u>

The costs of inventories recognized as cost of goods sold for the year ended December 31, 2020 and 2019 were \$2,549,684 thousand and \$3,000,251 thousand, respectively.

The costs of goods sold, including loss on disposal and scrap of property, plant and equipment, for the year ended December 31, 2020 and 2019 were \$26,333 thousand and \$2,209 thousand, respectively.

11. Investments Accounted for Using Equity Method

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Investments in subsidiaries	\$ 1,023,912	\$ 656,611
Investments in associates	<u>79,905</u>	<u>82,525</u>
	<u>\$ 1,103,817</u>	<u>\$ 739,136</u>

a. Investments in subsidiaries

	December 31, 2020	December 31, 2019
AP Memory Corp, USA (hereinafter referred to as “AP-USA”)	\$ 43,245	\$ 46,133
AP MEMORY HOLDING Co., Ltd. (hereinafter referred to as “AP-HOLDING”)	-	13,707
Zentel Electronics Corp. (hereinafter referred to as “Zentel Electronics”)	955,794	580,050
AP Memory Technology (Hangzhou) Limited Co. (hereinafter referred to as “AP Hangzhou”)	24,873	16,721
AP Memory Japan G.K. (hereinafter referred to as “AP Japan”)	-	-
	<u>\$ 1,023,912</u>	<u>\$ 656,611</u>

	Proportion of ownership interests and voting rights	
	December 31, 2020	December 31, 2019
AP-USA	100%	100%
AP-HOLDING	-	100%
Zentel Electronics	100%	100%
AP Hangzhou	100%	100%
AP Japan	-	-

Please refer to Note 31 and Appendixes 6 and 7 for the Corporation’s indirectly held investments in subsidiaries.

- 1) Established in State of Oregon of the United States in February 2012, AP-USA mainly engages in the research and development of integrated circuits (ICs). As of March 12, 2021, the Corporation already contributed US\$2,000 thousand of capital thereto.
- 2) To cope with the growth and operational deployment planning of reinvested enterprises, the Corporation established a subsidiary – “AP-HOLDING” – in the Republic of Seychelles in April 2015. Through the reinvestments of AP-HOLDING, the Corporation then established AP Beijing. AP-HOLDING mainly engages in investments related affairs.

In the consideration of operational adjustments, the Corporation reached a decision on March 2, 2020 to sell the full equity ownership of AP-Holding; and, on March 20, the AP-Holding was settled at US\$230 thousand. Please refer to Note 25 for more information.

- 3) To integrate all resources and optimize the synergy of economies of scale, the Corporation’s board of directors reached a decision on September 2, 2016 to publicly purchase the ordinary shares of Zentel Electronics. As of the expiry date of the

acquisition period, the Corporation totally purchased 55.24% of the equity in 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 \$441,050 thousand via cash consideration in accordance with Business Mergers And Acquisitions Act. Up until now, the Corporation already purchased the full equity of Zentel Electronics. Zentel Electronics engages in the design, development and sale of ICs. To plan the operations and enhance the capital use efficiency of Zentel Electronics, the Corporation reached a decision to reduce the capitalization by 41.14% and return the share money of \$279,533 thousand. The record date for reverse split was August 9, 2019 and the said amendment has been registered. As of March 12, 2021, Zentel Electronics' paid-in capital is \$400,000 thousand.

- 4) Established in Hangzhou in December 2017, AP Hangzhou mainly engages in the design, development and sale of ICs. In 2019, the Corporation contributed US\$250 thousand of capital thereto. As of March 12, 2021, AP Hangzhou's paid-in capital is amounted US\$1,000 thousand.
- 5) AP Japan was established in September 2019 in Japan to promote the sale of ICs. In the consideration of operational adjustments, the Corporation reached a decision on the dissolution of AP Japan on September 18, 2020 and completed the amendment registration on November 2, 2020.

The income and share of other comprehensive income of subsidiaries accounted for using equity and the share are recognized based on subsidiaries' parent company only financial statements that are audited by CPA and of the same reporting period, respectively.

b. Investments in associates

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Individually insignificant associates		
Lyontek Inc. (hereinafter referred to as "Lyontek")	<u>\$ 79,905</u>	<u>\$ 82,525</u>

Information related to Corporation's associates are summarized as follows:

	<u>2020</u>	<u>2019</u>
Shares held by the Corporation		
Net profit for the year	<u>\$ 4,948</u>	<u>\$ 8,605</u>
Total comprehensive income	<u>\$ 4,948</u>	<u>\$ 8,605</u>

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

In August 2020, the Corporation acquired 500 thousand shares of GeneASIC at the price of NT\$500 thousand in August 2020. The said investment was originally recognized as investments accounted for using equity method; and was changed to financial assets at fair value through profit or loss in December 2020. Please refer to Note 7 (3) for more information.

12. Property, Plant and Equipment

	Machinery and equipment	Computer and communications equipment	Office equipment	Leasehold improvement	Total
<u>Cost</u>					
Balance at January 1, 2020	\$ 66,618	\$ 7,809	\$ 2,510	\$ 4,494	\$ 81,431
Addition	1,977	-	10	1,120	3,107
Disposal	-	( 885)	( 400)	( 239)	( 1,524)
Balance at December 31, 2020	68,595	6,924	2,120	5,375	83,014
<u>Accumulated depreciation</u>					
Balance at January 1, 2020	61,807	5,036	1,813	2,959	71,615
Depreciation expense	3,276	1,777	547	1,458	7,058
Disposal	-	( 818)	( 336)	( 228)	( 1,382)
Balance at December 31, 2020	65,083	5,995	2,024	4,189	77,291
Carrying amounts at December 31, 2020	\$ 3,512	\$ 929	\$ 96	\$ 1,186	\$ 5,723
<u>Cost</u>					
Balance at January 1, 2019	\$ 63,727	\$ 7,489	\$ 2,510	\$ 4,017	\$ 77,743
Addition	2,891	320	-	477	3,688
Balance at December 31, 2019	66,618	7,809	2,510	4,494	81,431
<u>Accumulated depreciation</u>					
Balance at January 1, 2019	40,283	2,154	952	1,585	44,974
Depreciation expense	21,524	2,882	861	1,374	26,641
Balance at December 31, 2019	61,807	5,036	1,813	2,959	71,615
Carrying amounts at December 31, 2019	\$ 4,811	\$ 2,773	\$ 697	\$ 1,535	\$ 9,816

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

a. Right-of-use assets

	December 31, 2020	December 31, 2019
Carrying amounts of right-of-use assets		
Building	\$ 7,338	\$ 9,542
Machinery and equipment	33,617	-
	\$ 40,955	\$ 9,542

	<u>2020</u>	<u>2019</u>
Increase of the right-of-use assets	<u>\$ 38,169</u>	<u>\$ 9,807</u>
Depreciation expense of the right-of-use asset		
Building	\$ 5,597	\$ 11,174
Machinery and equipment	<u>1,159</u>	<u>-</u>
	<u>\$ 6,756</u>	<u>\$ 11,174</u>

b. Lease liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carry amounts of lease liabilities		
Current	<u>\$ 15,696</u>	<u>\$ 5,434</u>
Non-current	<u>\$ 24,686</u>	<u>\$ 4,126</u>

The discount rate intervals of lease liabilities are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Building	1.68%	1.68%~1.98%
Machinery and equipment	1.8%	-

c. Other lease information

	<u>2020</u>	<u>2019</u>
Expense relating to short-term leases	<u>\$ 2,538</u>	<u>\$ 3,057</u>
Total cash (outflow) for leases	( <u>\$ 10,100</u> )	( <u>\$ 14,337</u> )

By adopting the exemption offered for short-term leases (office 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, 2020	\$ 47,082
Separate acquisition	<u>1,518</u>
Balance at December 31, 2020	<u>48,600</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2020	18,224
Amortization expense	<u>16,403</u>
Balance at December 31, 2020	<u>34,627</u>
Carrying amounts at December 31, 2020	<u>\$ 13,973</u>

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	<u>Computer software</u>
<u>Cost</u>	
Balance at January 1, 2019	\$ 35,194
Separate acquisition	10,824
Internal transfer	<u>1,064</u>
Balance at December 31, 2019	<u>47,082</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2019	2,742
Amortization expense	<u>15,482</u>
Balance at December 31, 2019	<u>18,224</u>
Carrying amounts at December 31, 2019	<u>\$ 28,858</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, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Excess business tax paid	\$ -	\$ 9,251
Others	<u>1,009</u>	<u>1,635</u>
	<u>\$ 1,009</u>	<u>\$ 10,886</u>
<u>Non-current</u>		
Masks and probe cards	<u>\$ 122,764</u>	<u>\$ 103,221</u>

16. Loans

Short-term loans

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Unsecured loan</u>		
Line of credit loan	<u>\$ 85,140</u>	<u>\$ 200,000</u>

The interest charged under the line of credit loan at 2020 and December 31, 2019 were 0.72% and 1.05%, respectively.

甲、Other Liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Other payables		
Payable for the customer complaint compensation	\$ 195,435	\$ 100,000
Payable for employees' compensation	36,649	4,749
Payable for salaries and bonuses	30,636	369
Payable for masks and probe cards	20,737	7,918
Payable for board directors' remuneration	9,000	1,000
Payable for compensated absences	3,688	7,304
Payable for pension	1,508	1,738
Payable for labor and national health insurances	1,473	1,926
Payable for labor costs	1,268	2,286
Others	4,874	6,507
	<u>\$ 305,268</u>	<u>\$ 133,797</u>
Other liabilities		
Receipts under custody	\$ 1,724	\$ 2,915
Contract liabilities	-	184
Guarantee deposit	-	-
Others	2	2
	<u>\$ 1,726</u>	<u>\$ 3,101</u>
<u>Non-current</u>		
Long-term payables		
Customer complaint compensation	<u>\$ -</u>	<u>\$ 194,764</u>

The Corporation received a customer complaint about the specifications of a specific batch of customized products. After negotiating with the customer who suffered from the said damage, the Corporation set \$342,309 thousand, which is then given to the customer to offset future payments in the following three years as compensation, aside in Q1 of 2019. Apart from the said customer complaint loss, the Corporation also deposited \$200,000 thousand into the customer's account as a guarantee before the debt is settled. At the end of 2019, the Corporation checked with the customer in regard to related losses and damages; and then transfer related liability reserves to other payables. As of December 31, 2020, the Corporation still needs to settle \$195,435 thousand in reliability.

乙、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.



丙、Equity

a. Share capital

Ordinary shares

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Number of shares authorized (in thousands)	<u>100,000</u>	<u>100,000</u>
Shares authorized	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>74,231</u>	<u>73,853</u>
Shares issued	<u>\$ 742,316</u>	<u>\$ 738,535</u>
Advance receipts for ordinary share	<u>\$ 532</u>	<u>\$ -</u>

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

Due to employees' exercise of employee share option (ESO), the Corporation issued additional 378 thousand and 79 thousand shares in 2020 and 2019, respectively. As of December 31, 2020, the Corporation still has 12,000 option units that shall be

still has 12,000 option units that shall be registered for capital change. The total amount received therefor is \$532 thousand and is recognized as advance receipts for ordinary share.

Upon resolution of the board of directors on August 9, 2019, the Corporation decided to take back 6 thousand shares of restricted stock awards (RSAs) free of charge. Please refer to Note 24 for more information.

b. Capital surplus

	<u>December 31, 2020</u>	<u>December 31, 2019</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	\$ 625,315	\$ 606,789
Difference between consideration and carrying amount of subsidiaries acquired or disposed	<u>153,042</u>	<u>-</u>
	<u>778,357</u>	<u>606,789</u>
<u>May be used to offset a deficit only(2)</u>		
Exercised and invalid employee share options	180,740	170,382
Acquired RSAs	47,595	43,124
SEO for employee share options	467	467
Changes in subsidiaries' ownership interests recognized using the equity method	<u>401</u>	<u>6,421</u>
	<u>229,203</u>	<u>220,394</u>

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	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>May not be used for any purpose</u>		
Employee share options	13,162	6,734
Restricted stock awards (RSAs)	<u>-</u>	<u>4,471</u>
	<u>13,162</u>	<u>11,205</u>
	<u>\$ 1,020,722</u>	<u>\$ 838,388</u>

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

c. Retained earnings and dividend policy

The Corporation's Articles of Incorporation state that any earnings received by the Corporation in the fiscal year shall be used to pay taxes and offset accumulated deficits first; have 10% thereof set aside as legal reserve; and then recognize or reverse the remaining amount as a special reserve as prescribed by law. Any remaining amount, if any, shall be reported to the board of directors. The board of directors will then draft an earnings distribution proposal together with unappropriated retained earnings accumulated over the years. The proposal will be submitted to shareholders' meeting and, upon approval, be used to distribute shareholders' dividends. 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.

Items referred to under Letter Jin-Guan-Zheng-Fa-Zi No. 1010012865 issued by FSC and the directives titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs” should be appropriated to or reserved from a special reserve by the Corporation.

The appropriation of earnings for 2019 and 2018 which had been approved at the shareholders meeting on June 15, 2020 and June 6, 2019, respectively, is as follows:

	2019	2018
Legal reserve	\$ <u>-</u>	\$ <u>11,547</u>
Special reserve (reversal)	\$ <u>1,351</u>	( \$ <u>2,369</u> )
Cash dividends	\$ <u>73,682</u>	\$ <u>37,539</u>
Dividends per share (NT\$)	\$ 1.0	\$ 0.5

In 2019, dividends per share are adjusted to NT\$0.99742797 due to the exercise of employee share options

In 2018, dividends per share are adjusted to NT\$0.51023481 in 2018 due to the redemption of restricted stock awards (RSAs) and redemption of treasury shares.

The Corporation’s appropriation of earnings for 2020 proposed by the board of directors on March 12, 2021 is as follows:

	2020
Legal reserve	\$ <u>81,171</u>
Special reserve (reversal)	( \$ <u>4,576</u> )
Cash dividends	\$ <u>370,373</u>
Dividends per share (NT\$)	\$ <u>5.0</u>

The appropriation of earnings for 2020 will be finalized at the shareholders’ meeting to be held on June 17, 2021.

d. Other equity

1) Exchange differences on translation of foreign financial statements

	2020	2019
Balance at the beginning of the year	( \$ <u>4,576</u> )	( \$ <u>3,225</u> )
In respect of the current year		
Exchange differences on translating the financial statements of foreign operations	( 1,832 )	( 1,977 )
Share of the other comprehensive income of subsidiaries accounted for using equity method	36	626

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	2020	2019
Reclassification adjustment		
Disposal of foreign operations	12,821	-
Other comprehensive income for the year	11,025	( 1,351 )
Disposal of subsidiaries' partial equity	3,593	-
Cash at the end of the year	<u>\$ 10,042</u>	<u>( \$ 4,576 )</u>

2) Unearned compensation cost

Please refer to Note 24 for information relating to the Corporation's issuance of restricted stock awards (RSA).

	2020	2019
Balance at the beginning of the year	( \$ 1,120 )	( \$ 10,102 )
Expense recognized as share-based payment	1,120	8,862
Retirement of restricted stock awards (RSAs)	-	120
Cash at the end of the year	<u>\$ -</u>	<u>( \$ 1,120 )</u>

e. Treasury shares

Purpose of redemption	Shares transferred to employees (in thousands of shares)	Retirement (in thousands of shares)	Total (in thousands of shares)
Number of shares at January 1, 2020	258	-	258
Increase during the year	-	-	-
Number of shares at December 31, 2020	<u>258</u>	<u>-</u>	<u>258</u>
Number of shares at January 1, 2019	258	-	258
Increase during the year	-	1,500	1,500
Decrease in the year	-	( 1,500 )	( 1,500 )
Number of shares at December 31, 2019	<u>258</u>	<u>-</u>	<u>258</u>

To transfer shares to employees, the Corporation had, upon resolution of the board of directors on October 8, 2028, bought back 258 thousand shares between October 9, 2028 and December 8, 2028 at the price of NT\$11,246 thousand.

To maintain the Corporation's creditability and shareholders' equity, the Corporation had, upon resolution of the board of directors on May 14, 2019, bought back 1,500 thousand shares between May 15, 2019 and July 12, 2019 at the price of NT\$55,325 thousand. The Corporation then, upon resolution of the board of directors on August 9, 2019 and retired 1,500 thousand treasury shares.

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.

丁、Revenue

	<u>2020</u>	<u>2019</u>
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 3,195,318	\$ 3,116,251
Revenue from the rendering of services	282,419	153,842
Interest income	<u>57,526</u>	<u>24,643</u>
	<u>\$ 3,535,263</u>	<u>\$ 3,294,736</u>

a. Descriptions of contracts with customers

Please refer to Note 4.(1) for more information.

b. Contract balance

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Accounts receivable (including those from related parties) (Note 9)	<u>\$ 756,699</u>	<u>\$ 628,698</u>	<u>\$ 584,919</u>
Contract liabilities (Note 17)			
Sale of goods	<u>\$ -</u>	<u>\$ 184</u>	<u>\$ 194</u>

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

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

	<u>2020</u>	<u>2019</u>
<u>From the contract liabilities at the beginning of the year</u>		
Sale of goods	<u>\$ 184</u>	<u>\$ 194</u>

戊、Net Profit for the Year

a. Interest income

	2020	2019
Subsidiaries - management service income (Note 28)	\$ 24,000	\$ 24,000
Dividend income	155	-
Others	1,057	2
	<u>\$ 25,212</u>	<u>\$ 24,002</u>

b. Depreciation and amortization

	2020	2019
Property, plant and equipment	\$ 7,058	\$ 26,641
Right-of-use assets	6,756	11,174
Other intangible assets	16,403	15,482
	<u>\$ 30,217</u>	<u>\$ 53,297</u>
Depreciation expense by function		
Cost of sales	\$ 5,366	\$ 27,031
Operating expense	8,448	10,784
	<u>\$ 13,814</u>	<u>\$ 37,815</u>
Amortization expense by function		
Cost of sales	\$ 3,162	\$ 3,011
Operating expense	13,241	12,471
	<u>\$ 16,403</u>	<u>\$ 15,482</u>

c. Employee benefit expense

	2020	2019
Retirement benefit plans (Note 18)		
Defined contribution plans	\$ 5,721	\$ 7,888
Share-based payment		
Equity settlement	11,917	10,167
Other employee benefits		
Salary expense	211,341	193,702
Labor insurance and national health insurance expense	9,320	12,717
Other employment expense	8,200	10,588
	<u>228,861</u>	<u>217,007</u>
Total employee benefits expense	<u>\$ 246,499</u>	<u>\$ 235,062</u>

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	2020	2019
Summarized by functions		
Cost of sales	\$ 41,491	\$ 96,638
Operating expense	<u>205,008</u>	<u>138,424</u>
	<u>\$ 246,499</u>	<u>\$ 235,062</u>

d. Employees' compensation and board directors' remuneration

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

The Corporation did not set employees' compensation and board directors' remuneration aside in 2019 due to a net loss before income tax. As for employees' compensation and board directors' remuneration for the year of 2020, the board of directors reached an agreement on March 12, 2021 as follows:

Accrual rate

	2020
Employees' compensation	3.7684%
Board directors' remuneration	0.8715%

Amount

	2020
Employees' compensation	\$ 34,592
Board directors' remuneration	8,000

If there is any change in the amounts after the annual parent company only 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.

For the year of 2018, there is no difference between the paid amounts of employees compensation and board directors remuneration and the amounts recognized in the 2018 Parent company only financial statements

With respect to board of directors' resolution on employees' compensation and board directors' remuneration for 2020 and 2019, please go to the website of Taiwan Stock Exchange "Market Observation Post System" for detailed information.

e. Exchange difference recognized in profit or loss

	2020	2019
Total exchange gain	\$ 39,039	\$ 51,582
Total exchange loss	( <u>83,056</u> )	( <u>60,290</u> )
Net loss	( <u>\$ 44,017</u> )	( <u>\$ 8,708</u> )

己、Income Taxes

a. Major components of tax expense recognized in profit or loss

	2020	2019
Current income tax		
Expense recognized in the current year	(\$ 71,762)	\$ -
Adjustments on prior years	<u>-</u>	<u>( 717 )</u>
	<u>( 71,762 )</u>	<u>( 717 )</u>
Deferred income tax		
Expense recognized in the current year	( 25,786 )	31,744
Adjustments on prior years	<u>33,891</u>	<u>-</u>
	<u>8,105</u>	<u>31,744</u>
Income tax expense recognized in profit or loss	<u>( \$ 63,657 )</u>	<u>\$ 31,027</u>

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

	2020	2019
Income before tax	<u>\$ 875,367</u>	<u>( \$ 426,092 )</u>
Income tax expense at the statutory rate	(\$ 175,073 )	\$ 85,218
Unrecognized tax benefit	77,525	5,479
Adjustments recognized in the period for current tax of prior years	-	( 717 )
Unrecognized deductible temporary differences/ loss carryforwards	<u>33,891</u>	<u>( 58,953 )</u>
Income tax expense recognized in profit or loss	<u>( \$ 63,657 )</u>	<u>\$ 31,027</u>

b. Deferred income tax assets and liabilities

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

2020

	Balance at the beginning of the year	Recognized in profit or loss	Cash at the end of the year
Deferred income tax assets			
Temporary differences			
Exchange loss	\$ 2,040	\$ 3,122	\$ 5,162
Payable for compensated absences	1,460	( 722 )	738
Allowance for inventory valuation and obsolescence losses	39,125	( 5,858 )	33,267

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	Balance at the beginning of the year	Recognized in profit or loss	Cash at the end of the year
Financial assets at fair value through profit or loss	-	557	557
Compensation for loss	-	39,087	39,087
Loss carryforwards	<u>31,450</u>	<u>( 31,450 )</u>	<u>-</u>
	<u>\$ 74,075</u>	<u>\$ 4,736</u>	<u>\$ 78,811</u>
Deferred income tax assets			
Temporary differences			
Unrealized loss from sale	\$ 1,946	( \$ 1,946 )	\$ -
Exchange gain	<u>1,656</u>	<u>( 1,423 )</u>	<u>233</u>
	<u>\$ 3,602</u>	<u>( \$ 3,369 )</u>	<u>\$ 233</u>

## 2019

	Balance at the beginning of the year	Recognized in profit or loss	Cash at the end of the year
Deferred income tax assets			
Temporary differences			
Exchange loss	\$ 517	\$ 1,523	\$ 2,040
Payable for compensated absences	1,457	3	1,460
Allowance for inventory valuation and obsolescence losses	38,683	442	39,125
Loss carryforwards	<u>-</u>	<u>31,450</u>	<u>31,450</u>
	<u>\$ 40,657</u>	<u>\$ 33,418</u>	<u>\$ 74,075</u>
Deferred income tax assets			
Temporary differences			
Unrealized loss from sale	\$ -	\$ 1,946	\$ 1,946
Exchange gain	<u>1,928</u>	<u>( 272 )</u>	<u>1,656</u>
	<u>\$ 1,928</u>	<u>\$ 1,674</u>	<u>\$ 3,602</u>

## c. Income tax assessment

The Corporation's tax returns for income tax through 2018 have been assessed by the tax authorities.

庚、Earnings (losses) Per Share

Unit: NT\$ per share

	2020	2019
Basic earnings (losses) per share	<u>\$ 11.00</u>	<u>( \$ 5.33 )</u>
Diluted earnings (losses) per share	<u>\$ 10.84</u>	<u>( \$ 5.33 )</u>

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

Profit (loss) for the year

	2020	2019
Earnings used in the computation of basic and diluted earnings (losses) per share	<u>\$ 811,710</u>	<u>( \$ 395,065 )</u>

Number of shares

Unit: 1,000 shares

	2020	2019
Weighted average number of ordinary shares outstanding used in the computation of basic earnings (losses) per share	73,764	74,106
Effects of potentially dilutive ordinary shares:		
Arising from employee share options	997	-
Employee share options	81	-
Restricted stock awards (RSAs)	<u>12</u>	<u>-</u>
Weighted average number of ordinary shares outstanding used in the computation of diluted earnings (losses) per share	<u>74,854</u>	<u>74,106</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.

As potential ordinary shares outstanding are dilutive in the computation of losses per share in 2019, they are excluded from the computation.

辛、Share-based Payment Arrangements

a. Employee share option plan

Grant date	September 26, 2020	December 20, 2019	April 26, 2019	November 9, 2018	January 25, 2017	November 30, 2014
Approval date by board of directors	August 7, 2020	April 26, 2019	August 8, 2018	August 8, 2018	November 3, 2016	July 7, 2014
Grant unit	319,000	750,000	8,000	692,000	680,000	1,800,000
Exercise price (NT\$)	333.50	83.70	43.85	44.80	81.70	36.76
(Note 1)						
Share per unit Granted to	1 ordinary share The Corporation and subsidiaries' employees who meet specific requirements	1 ordinary share The Corporation and subsidiaries' employees who meet specific requirements	1 ordinary share The Corporation and subsidiaries' employees who meet specific requirements	1 ordinary share The Corporation and subsidiaries' employees who meet specific requirements	1 ordinary share The Corporation and subsidiaries' employees who meet specific requirements	1 ordinary share The Corporation's employees who meet specific requirements
Vesting conditions (Note 2)	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 40% 3 years 30% 4 years 30%	3 months 40% 2 years 30% 3 years 30%
Life/ duration (years)	10	10	10	10	10	6

Note 1: Where there is movement in the Corporation's ordinary share upon the issuance of option or cash dividends paid by the Corporation meet certain conditions, the exercise price of the option will be adjusted based on the formula accordingly.

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

Information relating to issued employee share options is as follows:

Employee share options	2020		2019	
	Option per unit	Weighted average exercise prices (NT\$)	Option per unit	Weighted average exercise prices (NT\$)
Outstanding at the beginning of the year	1,773,000	\$ 66.47	1,408,000	\$ 54.25
Offered in the year	319,000	333.50	758,000	83.27
Became invalid in the year	( 173,800 )	68.37	( 314,000 )	60.29
Exercised in the year	( 378,200 )	58.98	( 79,000 )	21.44
Outstanding at the end of the year	<u>1,540,000</u>	123.40	<u>1,773,000</u>	66.47
Exercisable at the end of the year	<u>64,500</u>	47.21	<u>216,400</u>	57.18
The weighted average fair value of options offered in the year (NT\$)	<u>\$ 136.31</u>		<u>\$ 27.38</u>	

The weighted average price of options exercised in 2020 and 2019 were \$351.63 and \$56.80, respectively on the exercise day.

Information relating to employee share options outstanding at the end of the reporting period is as follows:

December 31, 2020			December 31, 2019		
Issue date	Exercise price (NT\$)	Weighted average remaining contractual life (years)	Issue date	Exercise price (NT\$)	Weighted average remaining contractual life (years)
January 25, 2017	\$ 73.18	6.07	November 30, 2014	\$ 15.46	0.92
November 9, 2018	44.30	7.86	January 25, 2017	73.18	7.07
April 26, 2019	43.30	8.32	November 9, 2018	44.26	8.86
December 20, 2019	83.50	8.97	April 26, 2019	43.32	9.32
September 26, 2020	333.50	9.75	December 20, 2019	83.70	9.97

Employee share options offered by the Corporation in September 2020, April 2019 and December 2019, respectively, were assessed using the binomial option pricing model. The parameters of the model are as follows:

Year of offering	September 2020	December 2019	April 2019
Fair value on the offering date	NT\$108.79~161.73	NT\$22.31~32.72	NT\$11.32~16.94
Exercise price	NT\$333.50	NT\$83.70	NT\$43.85
Expected volatility	54.68%	42.28%	42.23%
Expected life	6~7.5 years	6~7.5 years	6~7.5 years
Expected dividend yield	-	-	-
Risk-free interest rate	0.35%~0.38%	0.60%~0.63%	0.65%~0.70%

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 2020 and 2019 were \$10,797 thousand and \$1,666 thousand, respectively. The compensation costs generated from employee share options offered to subsidiaries in 2020 and 2019 were \$(432) thousand and \$1,506 thousand, respectively.

b. Restricted stock awards (RSAs)

Approval date by board of directors	June 19, 2017	May 27, 2016	June 23, 2015
Number of issued shares (in thousands)	500	500	1,200
Issue amount	Free of charge issuance	Free of charge issuance	Free of charge issuance
Effective date upon approval of FSC	July 18, 2017	July 5, 2016	August 10, 2015

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

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

Before employees reach the vesting conditions, the Corporation may retire such RSAs at no consideration. Upon resolution of the board of directors on August 9, 2019, the Corporation retired 6 thousand restricted stock awards (RSAs).

The movements in restricted stock awards (RSAs) in 2020 and 2019 are as follows:

Restricted stock awards (RSAs)	Number of shares (in thousands)	
	2020	2019
Outstanding at the beginning of the year	53	200
Vested in the year	( 53 )	( 141 )
Retired in the year	-	( 6 )
Cash at the end of the year	-	53

Compensation costs recognized in 2020 and 2019 were \$1,120 thousand and \$8,501 thousand, respectively.

#### ± 、Disposal of Subsidiaries

The Corporation reached a resolution to dispose “AP Holding”, a subsidiary thereof, on March 2, 2020. Upon completion of the share transfer process on March 20, 2020, the Corporation no longer controls AP Holding.

#### a. Consideration received

	Amount
Cash	\$ 6,946

#### b. Analysis of assets and liabilities over which the Company lost control

	Amount
Current assets	
Cash	\$ 17,135
Others	1,022

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	<u>Amount</u>
Non-current assets	
Property, plant and equipment	11
Others	21
Current liabilities	
Advance receipts	( 6,227 )
Others	( 1,031 )
Net assets disposed of	<u>\$ 10,931</u>
 c. Loss on disposal of subsidiaries	
	<u>Amount</u>
Consideration received	\$ 6,946
Net assets disposed of	( 10,931 )
Cumulative exchange difference reclassified from equity to profit or loss on the disposal of subsidiaries	( 1,554 )
Disposal loss	<u>( \$ 5,539 )</u>
 d. Net cash inflow from disposal of subsidiaries	
	<u>Amount</u>
Consideration received in cash and cash equivalents	\$ 6,946
Less: Balance of cash and cash equivalents disposed of	( 17,135 )
	<u>( \$ 10,189 )</u>

#### 癸、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., dividends, 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.

#### 11、Financial Instruments

##### a. 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 parent company only financial statements approximate their fair values.

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

1) Fair value hierarchy

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at</u>				
<u>FVTPL</u>				
Trust fund beneficiary				
certificates	\$ 180,197	\$ -	\$ -	\$ 180,197
Equity instrument				
investment	<u>39,984</u>	<u>-</u>	<u>28,032</u>	<u>68,016</u>
	<u>\$ 220,181</u>	<u>\$ -</u>	<u>\$ 28,032</u>	<u>\$ 248,213</u>

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at</u>				
<u>FVTPL</u>				
Trust fund beneficiary				
certificates	\$ 30,003	\$ -	\$ -	\$ 30,003
Equity instrument				
investment	<u>-</u>	<u>-</u>	<u>45,179</u>	<u>45,179</u>
	<u>\$ 30,003</u>	<u>\$ -</u>	<u>\$ 45,179</u>	<u>\$ 75,182</u>

2) Level 3 Reconciliation- Financial Liabilities at FVTPL.

2020

<u>— Financial assets</u>	<u>Measured at FVTPL</u>
	<u>Equity instrument</u>
Balance at the beginning of the year	\$ 45,179
Newly added in the year	789
Recognized in profit or loss	15,215
Decrease in the year	( 15,775 )
Transfer into Level 3	( 17,376 )
Cash at the end of the year	<u>\$ 28,032</u>
Related to assets at the end of the year and current unrealized profit recognized in profit or loss	<u>\$ 29,118</u>

2019

<u>— Financial assets</u>	<u>Measured at FVTPL</u>
	<u>Equity instrument</u>
Balance at the beginning of the year	\$ -
Newly added in the year	<u>45,179</u>
Cash at the end of the year	<u>\$ 45,179</u>

3) Level 3 fair value measurements and inputs

Classification of financial instruments	Measurements and inputs
non-TWSE/TPEX-listed stock	<p>3. Adopted the market approach, where the recent financing activities of investees are used to arrive at their fair values.</p> <p>4. Adopted the asset approach, where investees' net asset values and observable financial and operating status is used to arrive at their fair values.</p>

c. Classification of financial instruments

	December 31, 2020	December 31, 2019
<u>— Financial assets</u>		
At Fair Value Through Profit or Loss (FVTPL)		
Trust fund beneficiary certificates	\$ 180,197	\$ 30,003
Equity instrument investment	68,016	45,179
Measured at amortized cost (Note 1)	1,575,322	1,058,315
<u>— Financial liabilities</u>		
Measured at amortized cost (Note 2)	634,439	955,323

Note 1: The balance includes financial assets measured at amortized cost, such as cash, 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 short-term loans, accounts payable (including those from related parties), other payables (including those from related parties) and long-term payables.

d. Financial risk management objectives and policies

The Corporation's main financial instruments are equity and debt instrument investments, notes receivable, accounts receivable, other receivables, refundable deposits, loans, accounts payable, other payables and lease liabilities. 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 and interest rate risks), credit risks and liquidity risks.

1) 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 30.

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. A 5% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. 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 US dollar	
	2020	2019
Profit or loss (i)	\$53,819	\$20,567

- (i) The above profit or loss is mainly associated with demand deposits, accounts receivable, bank loans, accounts payable and other payables calculated in US 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, 2020	December 31, 2019
Fair value interest rate risk		
— Financial assets	\$ 384,267	\$ 2,720
— Financial liabilities	125,522	209,560
Cash flow interest rate risk		
— Financial assets	225,772	217,134

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 liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period had been outstanding for the whole year. Had interest rates been fifty basis points higher and all other variables were held constant, the Corporation's pretax profits would have increased by \$1,129 thousand and \$1,086 thousand in 2020 and 2019, respectively. Such increase is resulted from the Corporation's variable-rate account.

c) Other price risks

The price risk exposed to the Corporation in 2020 and 2018 through financial assets at FVTPL primarily comes from trust fund beneficiary certificates and equity instrument investment °

Had the price of equity instrument investment and trust fund beneficiary certificates increased/ decreased by 5% at the end of the reporting period, the Corporation's pretax profits would have increased/ decreased by 12,411 thousand in 2020 and 3,759 thousand 2019, respectively.

2) 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 Group because of the counterparties' failure to discharge their obligations, could arise from the carrying amount of the financial assets recognized in the parent company only 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.

### 3) 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, 2020

	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		\$ 383,022	\$ 166,277	\$ -	\$ -
Lease liabilities	1.78	4,278	12,002	25,174	-
Fixed interest rate financial instrument	0.72	85,237	-	-	-
		<u>\$ 472,537</u>	<u>\$ 178,279</u>	<u>\$ 25,174</u>	<u>\$ -</u>

December 31, 2019

	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	-	\$ 458,427	\$ 102,132	\$ 194,764	\$ -
Lease liabilities	1.70	1,804	3,737	4,152	-
Fixed interest rate					
financial					
instrument	1.05	200,380	-	-	-
		<u>\$ 660,611</u>	<u>\$ 105,869</u>	<u>\$ 198,916</u>	<u>\$ -</u>

b) Line of credit

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Non-collateral line of credit may be extended upon agreement of both parties.		
— Used line of credit	\$ 85,140	\$ 200,000
— Available line of credit	714,860	700,000
	<u>\$ 800,000</u>	<u>\$ 900,000</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 Corporation's working capital and line of credit are sufficient to continue its operations, the Corporation therefore does not have any liquidity risk.

17. Related-Party Disclosures

Except as disclosed in other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related parties and their relationships with the Corporation

<u>Name of related parties</u>	<u>Relationship with the Corporation</u>
Lyontek	Associate
AP-USA	Subsidiary
Zentel Electronics	Subsidiary
AP Hangzhou	Subsidiary
AP Hong Kong	Sub-subsidiary
Zentel Japan	Sub-subsidiary (became a non-related party since November 30, 2020)

b. Operating revenue

<u>Name of related parties</u>	<u>2020</u>	<u>2019</u>
Zentel Japan	\$ 349,866	\$ 240,357
AP Hong Kong	228,678	-
AP Hangzhou	144,805	60,870
Zentel Electronics	56,071	585,698
Associates	( 5,591 )	10,325
	<u>\$ 773,829</u>	<u>\$ 897,250</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.

c. Related party purchase

Name of related parties	2020	2019
Zentel Japan	\$ 65,467	\$ -
Zentel Electronics	15,715	211,442
	<u>\$ 81,182</u>	<u>\$ 211,442</u>

d. Accounts receivable from related parties

Name of related parties	December 31, 2020	December 31, 2019
AP Hong Kong	\$ 151,870	\$ -
AP Hangzhou	48,604	41,098
Zentel Electronics	-	28,848
Zentel Japan	-	106,652
Associates	-	40
	<u>\$ 200,474</u>	<u>\$ 176,638</u>

For receivables outstanding from related parties, no deposit has been charged. With respect to receivables from related parties for years ended December 31, 2020 and 2019, no allowance for impairment loss has been reserved therefor.

e. Other receivables from related parties (December 31, 2020: None)

Name of related parties	December 31, 2019
Zentel Electronics	<u>\$ 6,300</u>

f. Accounts payable from related parties (December 31, 2020: None)

Name of related parties	December 31, 2019
Zentel Electronics	<u>\$ 166,474</u>

With respect to the balance of payables outstanding from related parties, no guarantee has been provided.

g. Other payables from related parties

Name of related parties	December 31, 2020	December 31, 2019
AP-USA	\$ 15,445	\$ 16,566
Associates	398	-
	<u>\$ 15,843</u>	<u>\$ 16,566</u>

h. R&D and design commission fee

Name of related parties	2020	2019
AP-USA	\$ 65,835	\$ 72,431
Zentel Japan	33,420	44,698
	<u>\$ 99,255</u>	<u>\$ 117,129</u>

As there is no similar case can be referred to, transactions between the Corporation and related parties are dealt according to the payment and trade terms agreed by both parties. The R&D and design commission contracts entered in and between the Corporation and AP-USA and Zentel Japan are paid according to the contractual terms on a quarterly basis.

i. Endorsement and guarantee

Endorsement or guarantee for others

Name of related parties	December 31, 2020	December 31, 2019
Zentel Electronics		
Guarantee amount	<u>\$ 100,000</u>	<u>\$ 100,000</u>
Actual amount drawn down	<u>\$ -</u>	<u>\$ -</u>
AP Hong Kong		
Guarantee amount	<u>\$ 28,480</u>	<u>\$ -</u>
Actual amount drawn down	<u>\$ -</u>	<u>\$ -</u>

j. Other related-party transactions

The Corporation provides partial management services to Zentel Electronics. The amount of recognized and charged annual management fee was \$24,000 thousand for both 2020 and 2019.

k. Salaries and bonuses of key management personnel

	2020	2019
Short-term employee benefits	\$ 43,366	\$ 24,564
Post-employment benefits	561	575
Share-based payment	1,837	586
	<u>\$ 45,764</u>	<u>\$ 25,725</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.

18. Pledged Assets

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

	December 31, 2020	December 31, 2019
Pledged time deposits (recognized as financial assets at amortized cost)	<u>\$ 2,744</u>	<u>\$ 2,720</u>

19. 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)			
<u>December 31, 2020</u>			
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
Foreign currency assets			
<u>Monetary items</u>			
USD	\$ 45,796	28.48 (USD : TWD)	\$ <u>1,304,262</u>
<u>Non-monetary items</u>			
Equity instruments at FVTPL	6,262	4.377 (RMB : TWD)	\$ <u>27,243</u>
Equity-method subsidiaries			
USD	1,518	28.48 (USD : TWD)	\$ 43,245
RMB	5,683	4.377 (RMB : TWD)	<u>24,873</u>
			\$ <u>95,361</u>
Foreign currency liabilities			
<u>Monetary items</u>			
USD	8,002	28.48 (USD : TWD)	\$ <u>227,883</u>
<u>December 31, 2019</u>			
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
Foreign currency assets			
<u>Monetary items</u>			
USD	\$ 27,626	29.98 (USD : TWD)	\$ <u>828,229</u>
<u>Non-monetary items</u>			
Equity-method subsidiaries			
USD	1,539	29.98 (USD : TWD)	\$ 46,133
RMB	3,884	4.305 (RMB : TWD)	<u>16,721</u>
			\$ <u>62,854</u>
Foreign currency liabilities			
<u>Monetary items</u>			
USD	13,906	29.98 (USD : TWD)	\$ <u>416,892</u>

The exchange rate gains and losses (including realized and non-realized) are summarized as follows:

Foreign currency	2020		2019	
	Exchange rate	Net exchange loss	Exchange rate	Net exchange loss
USD	29.549 (USD : TWD)	(\$ 43,303)	30.912 (USD : TWD)	(\$ 8,708)
JPY	0.2769 (JPY : TWD)	( 639)	0.2837 (JPY : TWD)	-
EUR	33.7100 (EUR : TWD)	( 75)	34.6100 (EUR : TWD)	-
		(\$ 44,017)		(\$ 8,708)

20. Additional Disclosures

a. Information on significant transactions and b. Information on reinvestments:

- 1) Financing provided to others: Please refer to Appendix 1.
- 2) Endorsement and guarantee for others: Please refer to Appendix 2.
- 3) Marketable securities held at the end of the year (investments in subsidiaries are excluded): Please refer to Appendix 3.
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please refer to the table of Appendix 4.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to the table of Appendix 5.
- 9) Information about the derivative financial instrument transaction: None.
- 10) Information of investees: Please refer to Appendix 6.

c. Information on investments in Mainland China:

- 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, ending balance, amount received as dividends from the investee, and the limitation on investees: Please refer to Appendix 7.
- 2) 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 28.
- 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: Please refer to the table of Appendix 2.
- 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 28.

AP Memory Technology Corporation  
Financing Provided to Others  
For the year ended December 31, 2020

Appendix 1

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

No.	Financing company	Counterparty	Financial statement account	Related party	Maximum balance for the period	Ending balance	Drawn amount	Interest rate collars	Nature of financing	Trading amount	Reasons for short-term financing	Allowance for bad debt	Collateral		Maximum amount permitted to a single borrower (Note 1)	Aggregate financing limit (Note 1)	Remarks
													I t e m	V a l u e			
0	AP Memory Technology Corporation	Zentel Japan Corp.	Other receivables	No (Note 2)	\$ 427,200	\$ 427,200	\$ 381,523	0.37%	Business contacts	\$ 426,608	-	\$ -	-	\$ -	\$ 620,594	\$ 1,241,188	

Note 1: For financing with the purpose of business contacts, the aggregate financing limit and maximum amount permitted to a single borrower shall not exceed 40% and 20% of the Corporation’s net value, respectively.

Note 2: Zentel Japan Corp. sold 24% of its equity on January 2, 2020; and the remaining equity on November 30, 2020. The Corporation since then lost control of the company.

AP Memory Technology Corporation  
Endorsement and Guarantee for Others  
For the year ended December 31, 2020

Appendix 2

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorsement/ guarantee provider	Endorsed/ guaranteed party		Maximum endorsement/ guarantee amount permitted to a single party (Note 3)	Maximum balance for the period	Ending balance	Drawn amount	Amount of endorsement/ guarantee collateralized by properties	Ratio of accumulated endorsement/ guarantee to net equity per latest financial statements (%)	Aggregate external endorsement/ guarantee amount (Note 3)	Endorsement/ guarantee provided by the parent company	Endorsement/ guarantee provided by the subsidiary	Endorsement/ guarantee provided to subsidiaries in mainland China.	Remarks
		Company name	Relationship (Note 2)											
0	AP Memory Technology Corporation	Zentel Electronics Corp.	(2)	\$ 930,891	\$ 100,000	\$ 100,000	\$ -	\$ -	3.22	\$ 1,551,485	Y	N	N	
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(2)	930,891	28,480	28,480	-	-	0.92	1,551,485	Y	N	N	
1	Zentel Electronics Corp.	AP Memory Technology (Hangzhou) Limited Co.	(4)	286,738	56,960	56,960	56,960	56,960	5.96	477,897	N	N	Y	

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

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

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

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

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

AP Memory Technology Corporation  
Marketable Securities Held at the End of the Year  
December 31, 2020

Appendix 3

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

Held company	Type and name of marketable securities	Relationship with the issuer of securities	Account	At the end of the year (period)				Remarks
				Number of shares/ units	Carrying value	Percentage of ownership (%)	Fair value	
AP Memory Technology Corporation	Trust fund beneficiary certificates							
	CTBC Hwa-win Money Market Fund	—	Financial assets at fair value through profit or loss — Current	9,011,535	\$ 100,096	-	\$ 100,096	
	Mega Diamond Money Market Fund	—	Financial assets at fair value through profit or loss — Current	6,332,158	80,101	-	80,101	
	Equity investments in unlisted (non-OTC) stocks							
	Powerchip Semiconductor Manufacturing Corp.	—	Financial assets at fair value through profit or loss - Non-current	800,000	39,984	0.026%	39,984	
	Haining Changmeng Tachnology Partnership Enterprise (Limited Partnership)	—	Financial assets at fair value through profit or loss - Non-current	-	27,243	24.64%	27,243	
	GeneASIC Technologies Corporation		Financial assets at fair value through profit or loss - Non-current	500,000	789	19.05%	789	

Note 1: Please refer to Appendixes 6 and 7 for more information about investments in subsidiaries and Associate.

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, 2020

Appendix 4

(In Thousands of New Taiwan Dollars  
Unless Otherwise Specified)

Company name	Related party	Nature of relationship	Transaction details				Abnormal transactions (Note 1)		Notes/ accounts payable or receivable		Remarks
			Purchase/ sale	Amount	% to total	Payment terms	Unit price	Payment terms	Balance	% to total	
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	Sub-subsidiary	Sale	(\$ 228,678 )	( 6.36% )	OA 75 days	\$ -	—	\$ 151,870	20.01%	
AP Memory Technology Corporation	Zentel Japan Corp.	Sub-subsidiary (Note 2)	Sale	( 349,866 )	( 9.73% )	OA 120 days	-	—	-	-	
AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	Subsidiary	Sale	( 144,805 )	( 4.03% )	OA 60 days	-	—	48,604	6.41%	

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

Note 2: Zentel Japan Corp. sold 24% of its equity on January 2, 2020; and the remaining equity on November 30, 2020. The Corporation since then lost control of the company. The corporation already transferred related account receivables that already exceeded the payment term to other receivables.

AP Memory Technology Corporation and Subsidiaries  
 Receivables from Related Parties Amounting to at Least NT\$100 million or 20% of the Paid-in Capital  
 December 31, 2020

Appendix 5

(In Thousands of New Taiwan Dollars  
 Unless Otherwise Specified)

Company name	Related party	Nature of relationship	Ending balance (Note 1)	Turnover	Overdue		Amount(s) received in subsequent period	Allowance for bad debts
					Amount	Action(s) taken		
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	Sub-subsidiary	\$ 151,870	3.01	\$ -	-	\$ 84,753	\$ -

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

AP Memory Technology Corporation  
Information of Investees  
For the year ended December 31, 2020

Appendix 6

(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 (Notes 2 and 3)	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%	\$ 43,245	( \$ 982 ) ( USD (33,222) )	( \$ 982 )	Subsidiary
	AP MEMORY HOLDING Co., Ltd.	P.O.Box 1239,Offshore Incorporations Centre, Victoria, Mahé, Republic of Seychelles	Investment related services	-	31,982 ( USD 1,000,000 )	-	-	-	( 2,702 )	( 2,702 )	Subsidiary (Note 7)
	Zentel Electronics Corp.	10F-1, No. 1, Taiyuan 1st St., Zhubei City, Hsinchu County	IC research, development and sales	705,798	705,798	40,000,000	100%	955,794	462,615	319,285	Subsidiary
	Lyontek Inc.	No. 17, Industry East 2nd Road, East District, Hsinchu City	IC design and sales	75,060	75,060	3,600,000	30%	79,905	17,065	5,120	Associates
	AP Memory Japan G.K.	5-5 Azumachō, Hachioji, Tokyo	Sale of ICs	-	-	-	-	-	-	-	Subsidiary (Note 4)
	GeneASIC Technologies Corporation	No. 88, Weixin St., Zhubei City, Hsinchu County	IC design and manufacturing.	-	-	-	-	-	( 860 )	( 172 )	Associates (Note 8)
Zentel Electronics Corp.	Zentel Japan Corp.	6-chōme-21-3 Shinbashi, Minato City, Tokyo	IC development and design	-	489,169 ( JPY 1,774,924,000 )	-	-	-	38,641	29,367	Subsidiary (Note 6)
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.	IC sales	-	-	-	100%	9	9	9	Subsidiary (Note 5)

Note 1: Based on the exchange rate at December 31, 2020.

Note 2: Based on the average exchange rate for the year ended December 31, 2020.

Note 3: Apart from GeneASIC Technologies Corporation, the numbers are calculated based on investor's CPA-certified financial statements prepared for the same fiscal year. The Corporation's assessment on GeneASIC Technologies Corporation has not been audited, but will not result in significant influence.

Note 4: The Corporation reached a decision to dissolve AP Memory Japan G.K. on September 18, 2020; and completed the registration on November 2, 2020.

Note 5: To cope with the future operational deployment planning, AP Memory Technology (Hangzhou) Limited Co. established a subsidiary "AP Memory Technology (Hong Kong) Co. Limited" in Hong Kong in October 2019. However, no capital has been invested therein so far.

Note 6: Zentel Japan Corp. sold 24% of its equity on January 2, 2020; and the remaining equity on November 30, 2020.

Note 7: The Corporation already sold all its equity in AP-HOLDING on March 20, 2020.

Note 8: GeneASIC Technologies Corporation had a seasoned equity offering (SEO) on December 15, 2020. The Corporation, which has its shareholding ratio dropped from 20% to 19.05%, lost its significant influence on the company.

AP Memory Technology Corporation  
Information on investments in Mainland China – AP Memory Technology Corporation  
For the year ended December 31, 2020

Appendix 7

(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 4)	The Corporation's direct or indirect shareholding	Investment profit or loss recognized in the year (Notes 4 and 6)	Carry amount of the investment at the end of the year (Notes 5 and 6)	Inward investment benefits at the end of the year
					Outflow	Inflow						
AP Electronics (Beijing) Co., Ltd.	IC technical consulting and services	\$ 27,601 ( USD 850,000 )	Note 2	\$ 27,601 ( USD 850,000 )	\$ -	\$ Note 9	\$ -	( \$ 2,710 )	-	( \$ 2,710 )	\$ -	\$ -
AP Memory Technology (Hangzhou) Limited Co.	IC design, development and sale	30,344 ( USD 1,000,000 )	Note 3	30,344 ( USD 1,000,000 )	-	-	30,344 ( USD 1,000,000 )	\$ 6,284	100%	6,284	24,873	-

Accumulated Investment in Mainland China at the end of the year	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$30,344(USD1,000,000)	\$30,344(USD1,000,000)	\$1,861,782 (Note 7)

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

Note 2: A reinvestment made through AP MEMORY HOLDING Co., Ltd., which is in a third place.

Note 3: A direct investment to AP Memory Technology (Hangzhou) Limited Co. by AP Memory Technology Corporation.

Note 4: Based on the average exchange rate of 2020.

Note 5: Based on the exchange rate at December 31, 2020.

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

Note 7: The calculation is made based on 60% of the Corporation's net value at December 31, 2020 in accordance with Letter Ching-Shen-Tzu No. 09704604680 issued by the Ministry of Economic Affairs.

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

Note 9: The Corporation sold AP-Holding on March 20, 2020 and therefore immediately lost its control on AP Beijing possessed by AP-HOLDING (with 100% shareholding).



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AP Memory Technology Corporation

Statement of Cash

December 31, 2020

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		61,819
Demand deposit in other currencies	US\$5,757 thousand@28.48	<u>163,953</u>
		<u>225,772</u>
Total		<u>\$ 225,802</u>

AP Memory Technology Corporation

Statement of Accounts Receivable

December 31, 2020

Statement 2

(In Thousands of New Taiwan Dollars)

Item	Amount
Accounts receivable from non-related parties	
Customer A	\$ 225,569
Customer B	77,831
Customer C	56,960
Customer D	34,985
Customer E	29,149
Others (Note )	133,817
Less: Allowance for bade debts	( <u>2,086</u> )
Net accounts receivable from non-related parties	<u>556,225</u>
Accounts receivable from related parties (Note 28)	<u>200,474</u>
Net accounts receivable	<u>\$ 756,699</u>

Note: All balance is maintained below 5% of the account balance.

AP Memory Technology Corporation

Statement of Inventory

December 31, 2020

Statement 3

(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net realize value
Raw materials	\$ 223,521	\$ 226,557
Work-in-process goods	275,758	263,186
Finished goods	<u>291,922</u>	<u>264,765</u>
	791,201	<u>\$ 754,508</u>
Less: Allowance for inventory valuation loss	( <u>166,339</u> )	
Total	<u>\$ 624,862</u>	

AP Memory Technology Corporation  
Statement of Changes in Investments Accounted for Using Equity Method  
For the year ended December 31, 2020

Statement 4

(In Thousands of New Taiwan Dollars)

Name	Balance at the beginning of the year Increase during the year (less)				Changes in ownership interests (Note 5)	Share of other comprehensive income of subsidiaries accounted for using equity	Exchange differences on translating the financial statements of foreign operations	Unrealized loss from the sale of associates	Cash at the end of the year		Sharehold ing 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	\$ 46,133	-	\$ -	\$ 366	(\$ 982)	(\$ 2,272)	\$ -	2,000,000	\$ 43,245	100%	\$ 43,245	None	Note 1
AP MEMORY HOLDING Co., Ltd.	1,000,000	13,707	( 1,000,000)	( 10,931)	-	( 2,702)	( 74)	-	-	-	-	-	None	
Zentel Electronics Corp.	40,000,000	580,050	-	( 100,000)	151,217	319,285	14,970	( 9,728)	40,000,000	955,794	100%	955,794	None	Note 2
AP Memory Technology (Hangzhou) Limited Co.	-	16,721	-	-	1,428	6,284	440	-	-	24,873	100%	24,873	None	Note 3
Lyontek Inc.	3,600,000	82,525	-	( 7,740)	-	5,120	-	-	3,600,000	79,905	30%	79,905	None	Note 4
GeneASIC Technologies Corporation	-	-	-	172	-	( 172)	-	-	-	-	-	-	None	Note 6
		<u>\$ 739,136</u>		<u>(\$ 118,499)</u>	<u>\$ 153,011</u>	<u>\$ 326,833</u>	<u>\$ 13,064</u>	<u>(\$ 9,728)</u>		<u>\$ 1,103,817</u>		<u>\$ 1,103,817</u>		

Note 1: Such decrease is resulted from the Corporation's sale of all equity in AP-Holding on March 20, 2020.

Note 2: Such decrease is resulted from the Corporation's receipt of Zentel Electronics' cash dividends (\$100,000 thousand) distributed in the year.

Note 3: A direct investment to AP Memory Technology (Hangzhou) Limited Co. by AP Memory Technology Corporation as approved by Investment Commission, MOEA.

Note 4: Such decrease is resulted from the Corporation's receipt of Lyontek Inc.' cash dividends (\$7,740 thousand) distributed in the year.

Note 5: Capital investment generated from employee share options granted to subsidiaries' employees.

Note 6: GeneASIC Technologies Corporation had a seasoned equity offering (SEO) on December 15, 2020. The Corporation, which has its shareholding ratio dropped from 20% to 19.05%, lost its significant influence on the company.

AP Memory Technology Corporation

Statement of Refundable Deposits

December 31, 2020

Statement 5

(In Thousands of New Taiwan Dollars)

Nature	Amount
Refundable deposits	
For the loss derived from customer complaints	\$ 200,000
Property lease(s)	<u>8,194</u>
	<u>\$ 208,194</u>

AP Memory Technology Corporation

Statement of Accounts Receivable

December 31, 2020

Statement 6

(In Thousands of New Taiwan Dollars)

Item	Amount
Non-related parties	
Company A	\$ 136,927
Company B	43,072
Company C	33,833
Others (Note )	<u>14,356</u>
 Total	 <u>\$ 228,188</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, 2020

Statement 7

(In Thousands of New Taiwan Dollars)

Item	Amount
Operating revenue	
IC	\$ 3,314,937
Revenue from the rendering of services	<u>282,419</u>
	3,597,356
Sales discount and return	( <u>62,093</u> )
Net operating revenue	<u>\$ 3,535,263</u>



AP Memory Technology Corporation

Statement of Operating Costs

For the year ended December 31, 2020

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	\$ 382,042
Raw materials purchased in the year	1,486,073
Less: Raw materials at the end of the year	( 223,521 )
	1,644,594
Manufacturing costs	646,684
Add: Supplies at the beginning of the year	359,440
Less: Supplies at the end of the year	( 275,758 )
Others	( 34,217 )
	2,340,743
Add: Finished products at the beginning of the year	429,992
Purchased in the year	80,181
Less: For R&D	( 6,986 )
Finished products at the end of the year	( 291,922 )
Others	( 103,100 )
	2,448,908
Add: Unrealized loss from the sale of associates	9,728
Less: Loss on disposal and scrap of property, plant and equipment	26,333
Loss on disposal and scrap of inventory	64,715
Operating costs	<u>\$ 2,549,684</u>

AP Memory Technology Corporation  
Statement of Manufacturing Expense  
For the year ended December 31, 2020

Statement 9

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Commission and processing fees	\$ 490,311
Indirect labor	35,001
Expense from masks and probe cards	85,930
Others (Note )	<u>35,442</u>
	<u>\$ 646,684</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, 2020

Statement 10

(In Thousands of New Taiwan Dollars)

Item	Selling expense	Administrative expense	Research and development expense	Total
Salaries	\$ 42,293	\$ 41,692	\$ 91,476	\$ 175,461
R&D commission fee	5,674	-	111,772	117,446
Transfer of inventory	-	-	34,005	34,005
Expense from masks and probe cards	-	-	28,581	28,581
Board directors' remuneration	-	12,796	-	12,796
Insurance fee(s)	3,453	2,054	3,226	8,733
Expense from import/ export	4,438	-	-	4,438
Others (Note )	<u>13,863</u>	<u>28,763</u>	<u>25,209</u>	<u>67,835</u>
	<u>\$ 69,721</u>	<u>\$ 85,305</u>	<u>\$ 294,269</u>	<u>\$ 449,295</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, 2020 and 2019

Statement 11

(In Thousands of New Taiwan Dollars)

	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense						
Salaries	\$ 35,001	\$ 175,461	\$ 210,462	\$ 83,203	\$ 115,858	\$ 199,061
Labor and national health insurances	2,594	6,726	9,320	5,409	7,308	12,717
Pension	1,685	4,036	5,721	3,440	4,448	7,888
Board directors' remuneration	-	12,796	12,796	-	4,808	4,808
Other employee benefit expense	2,211	5,989	8,200	4,586	6,002	10,588
	<u>\$ 41,491</u>	<u>\$ 205,008</u>	<u>\$ 246,499</u>	<u>\$ 96,638</u>	<u>\$ 138,424</u>	<u>\$ 235,062</u>
Depreciation expense	<u>\$ 5,366</u>	<u>\$ 8,448</u>	<u>\$ 13,814</u>	<u>\$ 27,031</u>	<u>\$ 10,784</u>	<u>\$ 37,815</u>
Amortization expense	<u>\$ 3,162</u>	<u>\$ 13,241</u>	<u>\$ 16,403</u>	<u>\$ 3,011</u>	<u>\$ 12,471</u>	<u>\$ 15,482</u>

Notes:

1. The number of employees for the year and previous year was 92 and 128 people, respectively. Among them, the number of non-employee board members was 6 and 5 people, respectively.

2. Listed or OTC companies shall disclose the following information:

(1) The average of employee benefit expense of the year - \$2,717: (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 - \$1,872: (Employee benefit expense of the previous year - board directors' remuneration) / (number of employees of the previous year - non-employee board members).

(2) The average of employee salary of the year - \$2,447 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 - \$2,447 thousand: employee salary of the previous year / (number of employees of the previous year - non-employee board members)

(3) Adjustment to the average of employee salary - 51.24%: (the 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.