Stock Code: 6531

AP Memory Technology Corporation

Annual Report 2021

Notice to readers

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

Annual report is available at:

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

Company official website:

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

Printed on April 30th, 2022

I. Company spokesman and acting spokesman:

	Spokesman	Acting Spokesman
Name:	Lin, Yu-Hsin	Yang, Yu-Chian
Job Title:	Vice President	Investor Relationship
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III. Shares Register:

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IV. Certificated CPA

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

Office: Deloitte & Touche

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

Luxembourg Stock Exchange

by which to access information on said offshore securities:

https://www.bourse.lu/home

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

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I Letter to Shareholders

Dear Shareholders,

AP Memory had a record year in 2021. On consolidated basis, AP Memory earned NT$2,025 million (NT$13.67 per share) in net income in 2021. Compared to 2020 net income of NT$821 million (NT$5.50 per share, adjusted for stock split), the company's net income increased by 147%. Excluding one-time gain in 2020, net income increased by more than 300%. Revenue increased from NT$3.6 billion to NT$6.6 billion, by 86%, in the same period.

In 2021, not only has our revenue expanded to a record level, our gross margin rate has also stabilized in the 40-50% target range, and net margin rate reached above 30%.

Unit：In Thousands of New Taiwan Dollars

	2021 (A)	2020(B)	ΔAMT(C=A-B)	Δ%(C/B)
Revenue	6,617,215	3,549,497	3,067,718	86%
Gross Profit Margin (%)	46%	29%	17%	59%
Operating Expenses Rate (%)	10%	14%	(4%)	(29%)
Operating Income	2,370,157	519,746	1,850,411	356%
Non-Operating P/L	144,109	420,609	(276,500)	(66%)
Net Income before Tax	2,514,266	940,355	1,573,911	167%
Income from Continuing Operation	2,025,457	815,370	1,210,087	148%
Income from Discontinued Operation	-	5,613	(5,613)	(100%)
Net Income	2,025,457	820,983	1,204,474	147%
Net income(%)	31%	23%	8%	35%

Balance sheet also strengthened. Liquidity ratios are very healthy. Inventory level is consistent with our revenue run rate and current operating environment. We have no long-term debt.

Unit：In Thousands of New Taiwan Dollars

	2021(D)	2020(E)	ΔAMT(F=D-E)	Δ%(F/E)
Cash and cash equivalents	2,517,447	662,967	1,854,480	280%
Financial assets at FVTPL - current	-	930,536	(930,536)	(100%)
Inventories	1,696,621	625,055	1,071,566	171%
Current assets	5,124,533	3,310,027	1,814,506	55%
Total assets	6,278,643	3,983,400	2,295,243	58%
Total liabilities	1,483,688	880,430	603,258	69%
Total equity	4,794,955	3,102,970	1,691,985	55%

■ Rapid Revenue Growth in IoT Business Unit

Our IoT Business Unit, under the leadership of Senior Vice President Hung, Chih-Hsun, saw another year of rapid growth, nearly doubling its revenue on YoY basis, while maintaining a stable and improving gross margin.

Our IoTRAM is a family of non-JEDEC standard products, customized for optimal performance for target applications. Our customers must design in our memory interface in order to use our products. Conversely, customers cannot easily replace our products with competitors' products without significant effort. Therefore customer design-in is a good leading indicator of our mid-term IoTRAM business growth. In 2019/2020, we saw an explosive growth in number of customer design-ins, which resulted in record revenue in 2021. In 2021, the pace of customer design-ins continues to be strong.

Our IoTRAM has become the standard bearer for cost-effective, low-pin-count, low-power IoT memory. We continue to push the limits of our products to enable more and better IoT products for our customers.

As our IoTRAM gains market presence, we also attracted the attention of some potential competitors. However we are confident that we will continue to out run our competitors, and continue to grow IoT Business Unit.

Besides IoTRAM, our IoT Business Unit has incubated a new business in silicon capacitors, also often referred to as IPD (Integrated Passive Devices). I will discuss more about this later.

■ Successful Production of VHM™ Technology in AI Business Unit

Our AI Business Unit, under the leadership of Vice President Liu, Chin-Hung, made a major breakthrough in wafer-on-wafer 3DIC technology. Our VHM™, Very High bandwidth Memory customized for 3DIC, entered production in mid 2021. Using relatively mature logic technology, combined with our VHM™, our customers are able to achieve computing performance a few times that of state-of-the-art GPU. The leap in computing performance is world’s first true demonstration of the performance potential of 3DIC. This is the culmination of almost three years of joint effort among our customers, our DRAM, logic, stacking foundry partners, as well as our design service partners.

AI BU achieved revenue of about NT$772,590 thousand with gross margin rate 64% in 2021, an outstanding achievement for a new business unit. However, we are still just at the beginning of our 3DIC vision. Our revenue consists primarily of our early adopter customers. In time, customers in other applications will also ramp up and contribute to our revenue stream.

As a leader and pioneer of 3DIC technology, we face significant challenges in supply chain. We will partner with our foundry and OSAT partners to build 3DIC ecosystem.

■ New Innovative Product Directions

As advanced packaging technology becomes increasingly mainstream, the availability of miniaturized and low-parasitic passive devices has become a bottleneck. Since 2017, we have been incubating an idea to build silicon capacitor (IPD) using stack capacitors rather than deep trenches. Our products are thinner, denser, and higher performance than current industry state-of-the-art. Although our products have been in production for a few years, we have not attracted mainstream customers until recently. Since early 2021, we have been designing our products into multiple mainstream volume platforms.

In the meantime, we are also incubating other ideas in stealth mode. As these ideas find commercial applications, we will make them public.

■ Getting Ready to Invest for the Future

AP Memory continues to push the envelope of technology, especially in 3DIC and advanced packaging. Our foundry and OSAT partners see us as a key partner in finding the best solution to these new problems. In these partnerships, we have an increasingly important role and correspondingly heavy responsibilities to invest and share risks. We believe the potential reward far outweighs the investments we will make.

We initiated an equity fundraising in the form of GDR (Global Depositary Receipts) in late 2021. We successfully closed in January 2022 with net proceeds of about US$190M, at the cost of 7.99% of share capital dilution. This is the war chest we will use to invest for the future.

■ Business Environment and 2022 Outlook

The semiconductor industry experienced a phenomenal up cycle in 2021, with capacity shortage pushing up demand and prices across the board. Like all other up cycles, some degree of correction is only a matter of time.

In our customized memory business, which tends to be less cyclical or non-cyclical, we did experience demand increase and some modest price increase as well. However, we started seeing the downside of high demand. Some customers have difficulty finding sufficient logic wafers. As a result, we started seeing moderation in our customer demand in late Q3.

In 2022, we expect the logic wafer shortage to continue at least throughout the first half. This will put a damper on our growth in the first half of the year. This situation applies to both business units.

Despite the short term moderation in growth, we continue to see rapid growth in number of design-ins in IoT Business Unit, and high interest in our AI Business Unit offering. We are more optimistic than ever in our long-term growth prospects. In 2022, we strive to solidify our leadership in IoT, AI, and IPD, and continue to innovate and deliver financial results for our shareholders.

Chairman and President: Chen, Wen-Liang

IoT BU Senior Vice President: Hung, Chih-Hsun

AI BU Vice President: Liu, Chin-Hung

II Company Profile

1. Company Profile

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

2. Company History

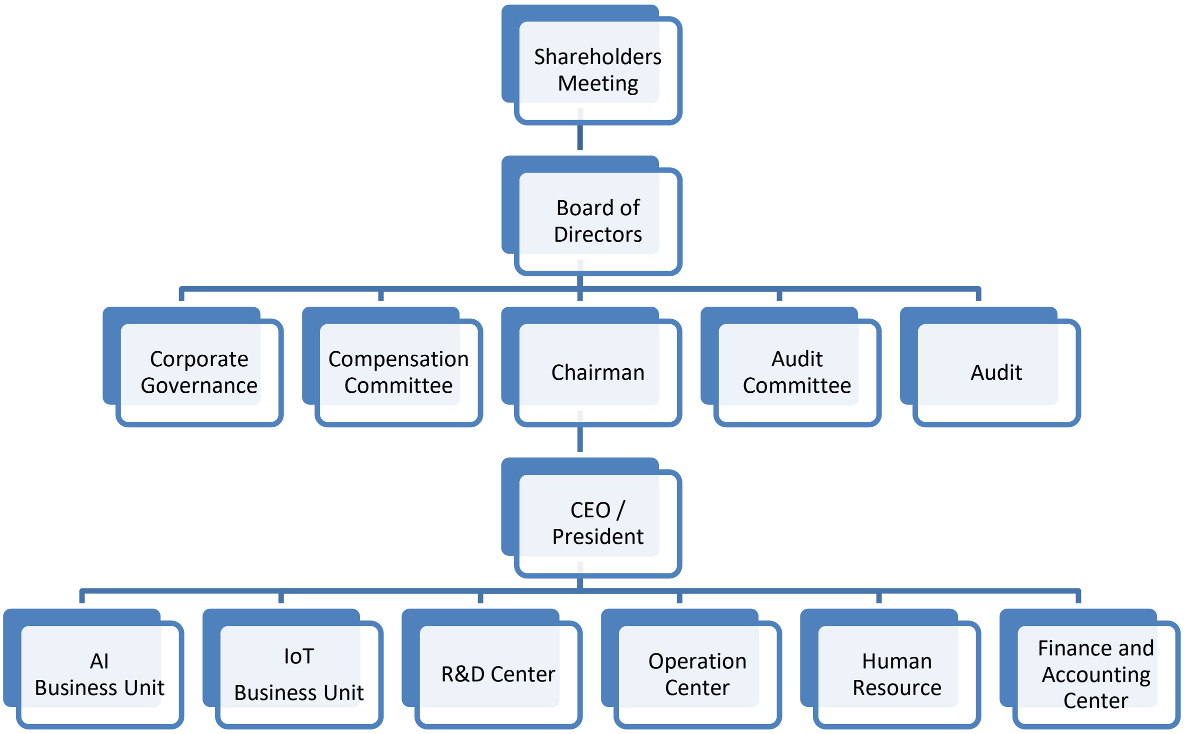
2011		
	Aug.	AP Memory is established in Zhubei City, Hsinchu County. The registered capital of AP Memory is NTD580,000, and the paid-up capital is NTD580,000.
	Dec.	The Ministry of Economic Affairs approved an increase in registered capital to NTD34,500 thousand. AP Memory's cash capital was increased to NTD29,420 thousand. The paid-up capital after the capital increase was NTD30,000 thousand.
2012		
	Mar.	The Board of Directors passed the resolution to establish AP Memory Corp., USA, a 100% subsidiary, for USD250 thousand.
	May	The Ministry of Economic Affairs approved an increase in registered capital to NTD100,000 thousand. AP Memory transferred its surplus to increase the capital to NTD52,500 thousand. The paid-up capital after the capital increase was NTD82,500 thousand.
2015		
	Apr.	The registration of public issuance became effective.
	Jun.	Over-the-counter trading on the Taipei Exchange was approved by the Taipei Exchange.
	Jul.	AP Memory Holding Co., Ltd, a 100% subsidiary, was established in the Republic of Seychelles.
	Oct.	AP Memory transferred its surplus to increase the capital to NTD294,079 thousand. The paid-up capital after the capital increase was NTD621,853 thousand.
	Oct.	AP Memory Electronics (Beijing) Co., Ltd. was established through AP MEMORY HOLDING Co., Ltd.
2016		
	Feb.	The listing application was approved by the Taiwan Stock Exchange Committee.
	May	Before the listing, AP Memory increased its capital by cash amounted to 71,830 thousand shares. The paid-up capital after the capital increase was NTD700,433 thousand.
	May	AP Memory was officially listed and traded on the Taiwan Stock Exchange.
	Sep.	To integrate resources and bring economies of scale into play, with the approval of the Board of Directors, the public acquisition of Zentel

		Electronics Corporation (3553.TW, hereinafter referred to as "Zentel") commenced on September 6, 2016 and ended on October 25, 2016.
	Nov.	AP Memory completed the closing of the public acquisition of Zentel, and Zentel became a subsidiary of AP Memory in which 55.24% of shares were held.
2017		
	Jun.	AP Memory reelected seven directors for the third term at the regular meeting of shareholders, including three independent directors, and it established an audit committee to replace the supervisor's function, so as to achieve the effect of corporate governance.
	Oct.	Taking October 1, 2017 as the basis date for the conversion of shares, Zentel became a 100% owned subsidiary of AP Memory and terminated its listing and public issuance.
2018		
	Jun.	In accordance with the Group's operation plan, AP Memory Technology (Hangzhou) Corporation was established in Hangzhou, China.
	Oct.	Repurchase of treasury shares amounting to 258,000 shares for transfer to employees.
2019		
	May	In order to protect AP Memory's credit and shareholders' equity, AP Memory bought back 1,500,000 of its treasury shares and completed the registration of capital reduction in August, 2019.
	Aug.	In accordance with the Group's operation plan, the Board of Directors decided to liquidate Zentel Electronics (Shenzhen) Corporation, a sub-subsidiary of AP Memory.
	Oct.	In accordance with the Group's operation plan, AP Memory Technology (Hong Kong) Co. Limited was established in Hong Kong.
	Dec.	In order to raise strategic investment funds, the Board of Directors resolved to sell 24% of its shares in Zentel Japan Corp.
2020		
	Mar.	As part of the restructuring of its investment structure, AP Memory sold 100% of its shares in AP Memory Holding Co., Ltd. And also lost its control of AP Memory Electronics (Beijing) Co., Ltd.
	Jun.	AP Memory reelected its directors for the fourth term at the general shareholders' meeting.
	Sep.	In accordance with the Group's operation plan, AP Memory sold remaining equity shares of its shares in Zentel Japan Corp.
2021		
	Aug.	The par value of each share was changed from NT$10 to NT$5 per resolution of the shareholders' meeting.
	Oct.	Complete the change of the par value and the outstanding shares increased from 74,340 thousand shares to 148,681 thousand shares.
	Dec.	The 1st Extraordinary Shareholders' Meeting resolved to issuance of new common shares by cash capital increase for sponsoring Global Depository Receipts(GDRs) issuance.
2022		
	Jan.	Completed the pricing and issuance of GDRs, with a total of 12,800,000 common shares issued for sponsoring 6,400,000 units of GDRs issued, raising US$189,760 thousand in cash.
	Feb.	Retirement of treasury shares purchased in October, 2018 and completed the registration of capital reduction in April, 2022.

III Corporate Governance Report

1. Organization System

(1) Organization Structure



(2) Business operated by each major department

Department	Functions and Duties
CEO	· Development and implementation of AP Memory's mid-term and long-term business strategy.
President	· Responsible for the overall operational planning and implementation of AP Memory. · Establishment, supervision, and management of the operation and system of each department.
AI Business Unit	· Managing AI application memory products' market development, industry trend analysis, market information collection, competitor information survey.
IoT Business Unit	· Managing IoT application related memory and peripheral products' market development, industry trend analysis, market information collection, competitor information survey, etc.
R&D Center	· Design, research and development of new products
Operation Center	· Assisting customers to introduce new product projects, as well as circuit, logic, software design, and providing technical and production support services, as well as project development schedule and verification management. · Production raw material procurement, product outsourcing management, implementation of production management and raw material inventory control, process planning and implementation, product yield improvement. · Product quality inspection, reliability engineering, customer complaints handling, RMA analysis and response.

Department	Functions and Duties
	・ Planning, inspection, supervision, control and implementation of quality management system. ・ Evaluation, planning, maintenance, implementation, and information security management of information software and hardware systems.
Human resource	・ Responsible for the human resources planning, organization development, recruitment and training. ・ Employee service, labor relations, safety & health, and workplace safety ・ Planning, general procurement, general affairs, fixed assets management.
Finance and Accounting Center	・ Financial planning, capital management. ・ Scheduling and budgeting operations planning. ・ Accounting processing operations, settlement, establishment and implementation of tax system. ・ Contract review, legal affairs and intellectual property management. ・ Investor relationship maintenance, etc.
Audit	・ Auditing and evaluating the internal control of AP Memory and providing improvement and suggestions to improve the operational efficiency and the effective implementation of internal control.
Corporate Governance	・ Handling of matters relating to Board, Audit Committee, and Shareholders' meetings. ・ In compliance with law, assistance in onboarding and continuing education of directors, provision of information required for performance of duties by directors, and assistance in directors' compliance of law, etc.

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

(1) Directors, Supervisors

A. Information of Directors

April 30, 2022; Unit: Share

Title	Nationality or Place of Registration	Name	Gender / Age	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 / 51~60	March 4, 2021	3 years	June 15, 2020	—	—	61,040	0.04%	—	—	—	—	Manager of R&D Department of Intel Corporation, USA; Senior R&D Manager of Cypress Semiconductor Corporation, USA; President, Cascade Semiconductor Corporation, USA; Ph.D. in Applied Physics, Yale University, USA	CEO, President and CTO of AP Memory Technology Corporation; Director of Lyontek Inc.; Director of AI Memory Corporation.	N/A	N/A	N/A
Director	Taiwan	Shanyi Investment Co., Ltd	—	June 15, 2020	3 years	June 4, 2014	13,258,334	17.93%	26,456,668	16.34%	—	—	—	—	—	—	N/A	N/A	N/A
	Taiwan	Representative: Hung, Chih-Hsun	Male / 51~60				—	—	51,248	0.03%	—	—	—	—	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.; Director of APware Technology Corp.	N/A	N/A	N/A
Director	Taiwan	Li Shun Investment Co.	—	June 15, 2020	3 years	June 4, 2014	63,927	0.09%	127,854	0.08%	—	—	—	—	—	—	N/A	N/A	N/A
	Taiwan	Representative: Hsieh, Ming-Lin	Male / 51~60				—	—	—	—	—	—	9,352 (Remark1)	0.01%	Vice President of Corporate Development, Powerchip Technology Corporation Assistant Manager of Investment Department, LiSi Management Consulting Co. Director of Ili Technology Corp. Master in Business Administration, National Taiwan University	Chairman of Li Shun Investment Co. ; Chairman of Treasure Fort Investments Ltd., British Virgin Islands ; Director of Quantum Vision Corp; Director of Liksei Venture Capital Co.; Director of Syntronix Corporation; Director of Teknowledge Development Corp. ; Director of LiHsin Investment Corp.; Director of Lontium Semiconductor Corporation Holding Limited ; Director of AI Medical Technology Corporation; Independent Director of Icatch Technology, Inc.; Supervisor of Liyu Venture Capital Co.; Supervisor of Retronix Technology Inc. ; Supervisor of A I Memory Corporation ;Supervisor of Powerax Quantum Electronic Corporation; Vice President of Powerchip Semiconductor Manufacturing Corporation	N/A	N/A	N/A

Title	Nationality or Place of Registration	Name	Gender / Age	Elected Date	Term	First Elected Date	Shares held at the time of election: Number of Shares	Shares held at the time of election: Shareholding Ratio	Number of Shares now held: Number of Shares	Number of Shares now held: Shareholding Ratio	Shares now held by spouse and minor children: Number of Shares	Shares now held by spouse and minor children: Shareholding Ratio	Shares held in the name of others: Number of Shares	Shares held in the name of others: Shareholding Ratio	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: Title	Other officers, directors or supervisors with a spouse or second degree of relationship: Name	Other officers, directors or supervisors with a spouse or second degree of relationship: Relationship
Independent Director	Taiwan	Yeh, Jui-Pin	Male / 51~60	June 15, 2020	3 years	June 19, 2017	—	—	—	—	—	—	—	—	Business Manager of Hewlett-Packard Company, Chairman of Synopsys Taiwan Co., Ltd. Global Vice President of Synopsys Inc. Chairman of Kuan Hsin Venture Capital Co. CEO of Youngtek Electronics Corp. Master's in Electrical Engineering, National Central University	N/A	N/A	N/A	N/A
Independent Director	Taiwan	Liu, Frank	Male / 71~80	Aug 20, 2021	3 years	Aug. 20, 2021	—	—	—	—	—	—	—	—	Independent Director of RITDISPLAY Corporation; Independent Director of PRIMAX ELECTRONICS Ltd.; Chairman of Lee Tah Farm Industries co., Ltd.; Chairman of Lydon Textile Co; Chairman of. China Enterprise Forum; M.S., Electrical Engineering and Computer Science, MIT; M.S., Physics ,Purdue University.	Chairman of Chelmsford. International Ltd; Director of the board of Taiwan Mergers & Acquisitions and Private Equity Council; Director of the board of Subic Bay Development and Management Co. Ltd	N/A	N/A	N/A
Independent Director	Taiwan	Wang, Hsuan	Female / 41~50	Aug. 20, 2021	3 years	Aug. 20, 2021	—	—	—	—	—	—	—	—	Member of Purchasing Committee of NCC; Consultant of Chunghwa Telecom; Part-Time Lecturer of National Taiwan University; Certified Internal Auditor; Certified Public Accountant; Ph.D., Accounting, National Taiwan University.	Assistant Professor of Yuan Ze University; Independent Director of Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	N/A	N/A	N/A

Remark 1: Holding shares through Treasure Fort Investments Ltd.
Remark 2: The number of stock shares in this table is based on the insider shareholding report as of April 2022.

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

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

B. Disclosure of information as professional qualifications and independent status of directors and independent directors

Title / Name	Professional qualifications and experience	Independent status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman / Chen, Wen-Liang	Mr. Chen obtained a PhD degree in Applied Physics in Yale University. And he is also our Chief Operating Officer, President and Chief Technology Officer of the Company. He was R&D department manager of Intel Corporation and has over 30 years of experience in the semiconductor industry.	No occurrence of the circumstances described in Article 30 of the Company Law.	None
Director / Shanyi Investment Co., Ltd Representative: Hung, Chih-Hsun	Mr. Hung has obtained a PhD of industrial engineering and management from the National Yang Ming Chiao Tung University and serves as the Senior Vice President of our Operation Center and IoT Business Uni of the Company.		None
Director / Li Shun Investment Co. Representative: Hsieh, Ming-Lin	Mr. Hsieh obtained a master's degree from the Graduate School of Business, National Taiwan University. He is the Vice President of Powerchip Semiconductor Manufacturing Corporation and servers as the director and supervisor of several listed on OTC, listed on TWSE and public companies.		1
Independent Director / Yeh, Jui-Pin	Mr. Yeh obtained a master's degree in Electrical Engineering from National Central University. He previously served as the chief executive officer of YongTek Electronics Corporation and the chairman of Synopsys Taiwan. He specializes in business operations, marketing and strategic planning, and has an in-depth understanding of the semiconductor industry.	The following independence assessment criteria have been met in the two years prior to and during the period of taking office (1) Not an employee of the Company or any affiliates. (2) Not a director or supervisor of the Company or any affiliates. (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings. (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	None

<table>
<tr><th>Title / Name</th><th>Professional qualifications and experience</th><th>Independent status</th><th>Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director</th></tr>
<tr><td>Independent Director / Liu, Frank</td><td>Mr. Liu is Master of Engineering and Computer Science at the Massachusetts Institute of Technology, USA as well a, and He has served as chairman and president of several companies and has extensive experience in company operations and industry trends.</td><td rowspan="2">persons in the preceding two subparagraphs.
(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Law.
(6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company.
(7) If the chairman, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution.
(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof.</td><td>None</td></tr>
<tr><td>Independent Director / Wang, Hsuan</td><td>Ms. Wang obtained a PhD degree in accounting from the National Taiwan University. She is the CPA of R.O.C. and an qualified international internal auditor. She is an assistant professor in the Department of Accounting and a member of the Internal Audit Committee of Yuan Ze University.</td><td>1</td></tr>
</table>

C. Diversity and independence of the Board of Directors:

The Board of Directors of the Company consists of 6 directors, of which 3 are independent directors and 2 directors as employee (50.00% and 33.33% of all directors) , as well as the independent directors arear more than half of the board seats. In addition, The Company is also mindful of gender equality in the composition of its Board of Directors, with 16.67% female directors.

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

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

April 30, 2022; 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	61,040	0.04%	—	—	—	—	Senior R&D Manager of Cypress Semiconductor Corporation, USA President, Cascade Semiconductor Corporation, USA Manager of R&D Department of Intel Corporation, USA Ph.D. in Applied Physics, Yale University, USA	Director of Lyontek Inc.; Director of A I Memory Corporation	N/A	N/A	N/A
Senior Vice President	Taiwan	Hung, Chih-Hsun	Male	March 20, 2019	51,248	0.03%	—	—	—	—	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	Director of AP Memory Technology (Hangzhou) Corp.; Director of AP Memory Technology (Hong Kong) Co. Limited; Director of APware Technology Corp.	N/A	N/A	N/A
Vice President	Taiwan	Liu, Chin-Hung	Male	August 19, 2019	401,908	0.25%	—	—	—	—	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	Lin, Yu-Hsin	Female	May 4, 2020	277,436	0.17%	—	—	—	—	Financial Manager of Alcor Micro, Corporation Junior Manager of Yuanta Core Pacific Securities Co., Ltd. Auditor of Deloitte Touche Tohmatsu Limited Master's in Accounting, National Chengchi University	Director of Zentel Electronics Corporation	N/A	N/A	N/A
Assistant Vice President	Taiwan	Liu, Tsung-Ning	Male	August 1, 2021	—	—	—	—	—	—	Business Development Manager of Taiwan Semiconductor Manufacturing Company Product Marketing Manager of XAC Automation Company Hardware designer Engineer of Sun Microsystems Master's in Electrical Engineering, Stanford University	N/A	N/A	N/A	N/A
Assistant Vice President	Taiwan	Huang, Wei-Cheng	Male	April 1, 2022	2,000	—	—	—	—	—	New product development and validation manager of Winbond electronics corporation Sr. Quality Control Engineer of Taiwan Semiconductor Manufacturing Company Product validation engineer, Macronix International Co Bachelor in Electrical Engineering, Kao Yuan University	N/A	N/A	N/A	N/A

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
Assistant Vice President	China	Fan, Yu-Chuan	Male	April 1, 2022	—	—	—	—	—	—	Memory Design Manager, AP Memory Holding (Beijing) Advanced Engineer of Loongson Technologies Master's in Computer Architecture, University of Chinese Academy of Sciences	President of AP Memory Technology (Hangzhou) Corp.	N/A	N/A	N/A
Accounting and Finance Supervisor	Taiwan	Hung, Mao-Chuan	Male	May 4, 2020	276	—	—	—	—	—	Deputy Manager of Deloitte Touche Tohmatsu Limited Master's in Accounting, National Taipei University	N/A	N/A	N/A	N/A
Corporate Governance Supervisor	Taiwan	Hong, Shu-Ling	Female	May 7, 2021	16,000	0.01%	—	—	—	—	Deputy Manager of Rotam Global AgroSciences Limited Auditor of Ernst & Young Bachelor in Accounting, Soochow University	N/A	N/A	N/A	N/A

Remark: The number of stock shares in this table is based on the insider shareholding report as of April 2022.

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

Chairman of Board, Mr. Chen Wen-Liang also holds the 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 one independent directors in annual shareholders' meeting of 2022. Among the six directors of the Board of Directors are originally three independent directors, which will be increased to four seats, so as to meet the requirements of the corresponding corporate governance standards.

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

(1) Compensation of the Directors (including the Independent Directors)

Fiscal year of 2021; Unit: In thousands of NTD; 1,000 shares; %

Title	Name	Director's Compensation								Proportion of the total amount of Items A, B, C and D in net profit after tax		Relevant Compensation received as Employee								Proportion of the total amount of Items A, B, C, D, E, F and G in net profit after tax		Compensation received from an investment transferred from a subsidiary or parent company
		Compensation (A)		Severance Pay/Retirement Pension (B)		Director's Compensation (C) (Remark 8)		Business Execution Cost (D)				Salary, Bonus, and Special Disbursement, etc. (E)		Severance Pay/Retirement Pension (F)		Employee Compensation(G) (Remark 8)						
		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)	Chen, Wen-Liang	-	-	-	-	1,660	1,660	-	-	0.08%	0.08%	17,315	17,315	-	-	1,540	-	1,540	-	1.01%	1.01%	-
Director (Remark 2, 3)	Shanyi Investment Co., Ltd Representative(2): Tsai, Kuo-Chi	-	-	-	-	906	906	-	-	0.04%	0.04%	-	-	-	-	-	-	-	-	0.04%	0.04%	-
Director (Remark 2, 3)	Shanyi Investment Co., Ltd Representative(2): Hung, Chih-Hsun,	-	-	-	-	604	604	-	-	0.03%	0.03%	10,993	10,993	108	108	1,263	-	1,263	-	0.64%	0.64%	-
Director (Remark 4)	Shanyi Investment Co., Ltd Representative(1): Liu, Chin-Hung	-	-	-	-	1,207	1,207	-	-	0.06%	0.06%	9,824	9,824	108	108	1,222	-	1,222	-	0.61%	0.61%	-
Director (Remark 4)	Shanyi Investment Co., Ltd Representative(1): Hung, Chih-Hsun,	-	-	-	-	1,208	1,208	-	-	0.06%	0.06%	10,993	10,993	108	108	1,263	-	1,263	-	0.67%	0.67%	-
Director	Li Shun Investment Co. Representative: Hsieh, Ming-Lin	-	-	-	-	2,415	2,415	8	8	0.12%	0.12%	-	-	-	-	-	-	-	-	0.12%	0.12%	-
Independent Director (Remark 5)	Yeh, Shu	675	675	-	-	-	-	2	2	0.03%	0.03%	-	-	-	-	-	-	-	-	0.03%	0.03%	-
Independent Director	Yeh, Jui-Pin	1,515	1,515	-	-	-	-	10	10	0.08%	0.08%	-	-	-	-	-	-	-	-	0.08%	0.08%	-
Independent Director (Remark 6)	Chen, Tze-Chiang	1,440	1,440	-	-	-	-	-	-	0.07%	0.07%	-	-	-	-	-	-	-	-	0.07%	0.07%	-
Independent Director (Remark 7)	Liu, Frank	480	480	--	-	-	-	-	-	0.02%	0.02%	-	-	-	-	-	-	-	-	0.02%	0.02%	-
Independent Director (Remark 7)	Wang, Hsuan	480	480	-	-	-	-	2	2	0.02%	0.02%	-	-	-	-	-	-	-	-	0.02%	0.02%	-

1. Please describe the compensation policy, system, standard and structure of the independent director and describe the correlation with the amount of compensation according to the responsibilities, risks, time invested and other factors.
   Payment shall be made in accordance with the Company's "Compensation 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.
2. Except disclosed in the table above, compensation 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 as the Chairman on March 4, 2021 Remark 2: Resigned as the Chairman on March 4, 2021
Remark 3: On April 1, 2021, the corporate director representative of Shanyi Investment Co., Ltd, Mr. Tsai, Kuo-Chi was replaced by Mr. Hung, Chih-Hsun,then resigned on June 16, 2021.
Remark 4: On August 21, 2021, the corporate director representative of Shanyi Investment Co., Ltd, Mr. Liu, Chin-Hung was replaced by Mr. Hung, Chih-Hsun.
Remark 5: Resigned on May 31, 2021 .Remark 6: Reigned on Dec.27, 2021 Remark 7: Being elected upon independent director re-election on August 20, 2021
Remark 8: The estimated director's compensation and employee compensation in 2021 were approved to pay in cash by the resolution of the Board of Directors on February 25, 2022.

Compensation Range Table

Compensation Range to each director of the Company	Name of Director			
	Total Amount of Compensation for the first four items(A+B+C+D)		Total Amount of Compensation 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	Shanyi Investment Co., Ltd representative(2) : Tsai, Kuo-Chi; Shanyi Investment Co., Ltd representative(2): Hung, Chih-Hsun; Yeh, Shu; Liu, Frank; Wang, Hsuan	Shanyi Investment Co., Ltd representative(2) : Tsai, Kuo-Chi; Shanyi Investment Co., Ltd representative(2): Hung, Chih-Hsun; Yeh, Shu; Liu, Frank; Wang, Hsuan	Shanyi Investment Co., Ltd representative(2): Tsai, Kuo-Chi; Yeh, Shu; Liu, Frank; Wang, Hsuan	Shanyi Investment Co., Ltd representative(2): Tsai, Kuo-Chi; Yeh, Shu; Liu, Frank; Wang, Hsuan
1,000,000(inclusive) ～ 2,000,000(exclusive)	Chen, Wen-Liang; Shanyi Investment Co., Ltd representative(1): Liu, Chin-Hung; Shanyi Investment Co., Ltd representative(1): Hung, Chih-Hsun Yeh, Jui-Pin; Chen, Tze-Chiang	Chen, Wen-Liang; Shanyi Investment Co., Ltd representative(1): Liu, Chin-Hung; Shanyi Investment Co., Ltd representative(1): Hung, Chih-Hsun Yeh, Jui-Pin; Chen, Tze-Chiang	Yeh, Jui-Pin; Chen, Tze-Chiang	Yeh, Jui-Pin; Chen, Tze-Chiang
2,000,000(inclusive)～ 3,500,000(exclusive)	Li Shun Investment Co. Representative: Hsieh, Ming-Lin	Li Shun Investment Co. Representative: Hsieh, Ming-Lin	Li Shun Investment Co. Representative: Hsieh, Ming-Lin	Li Shun Investment Co. Representative: Hsieh, Ming-Lin
3,500,00(inclusive)～ 5,000,000(exclusive)	—	—	—	—
5,000,000(inclusive)～ 10,000,000(exclusive)	—	—	—	—
10,000,000(inclusive)～ 15,000,000(exclusive)	—	—	Shanyi Investment Co., Ltd representative(2): Hung, Chih-Hsun; Shanyi Investment Co., Ltd representative(1): Liu, Chin-Hung; Shanyi Investment Co., Ltd representative(1): Hung, Chih-Hsun	Shanyi Investment Co., Ltd representative(2): Hung, Chih-Hsun; Shanyi Investment Co., Ltd representative(1): Liu, Chin-Hung; Shanyi Investment Co., Ltd representative(1): Hung, Chih-Hsun
15,000,000(inclusive)～ 30,000,000(exclusive)	—	—	Chen, Wen-Liang	Chen, Wen-Liang
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 11	A total of 11	A total of 11	A total of 11

(2) Compensation of the President and Vice Presidents

Fiscal year of 2021; Unit: In thousands of NTD; 1,000 shares; %

Title	Name	Compensation(A)		Severance Pay/Retirement Pension(B)		Bonus and Special Disbursement, etc. (C)		Amount of Employee Compensation(D) (Remark 2)				Proportion of the total amount of Items A, B, C, D in net profit after tax(%)		Compensation received from an investment transferred from a subsidiary
		The Company	All Companies listed in the Financial Statements	The Company	All Companies listed in the Financial Statements	The Company	All Companies listed in the Financial Statements	The Company		All Companies listed in the Financial Statements		The Company	All Companies listed in the Financial Statements	
								Cash Amount	Amount of Stock	Cash Amount	Amount of Stock			
CEO and President	Chen, Wen-Liang	9,059	9,059	324	324	36,073	36,073	5,265	-	5,265	-	2.50%	2.50%	N/A
Senior Vice President	Hung, Chih-Hsun													
Vice President	Liu, Chin-Hung													
Consultant	Lin, Han-Chih (Remark1)													

Remark1: Formerly Senior Vice President, transferred to the position of Consultant of R&D Center in February, 2022

Remark2: The estimated employee compensation in 2021 was approved to pay in cash by the resolution of the Board of Directors on February 25, 2022

Compensation Range Table

Compensation Range to each President and Vice President of the Company		Name of President and Vice President	
		The Company	All Companies listed in the Financial Statements
Less than 1,000,000		—	—
1,000,000(inclusive) ~	2,000,000(exclusive)	—	—
2,000,000(inclusive) ~	3,500,000(exclusive)	—	—
3,500,00(inclusive) ~	5,000,000(exclusive)		
5,000,000(inclusive) ~	10,000,000(exclusive)	Lin, Han-Chih(Remark)	Lin, Han-Chih(Remark)
10,000,000(inclusive) ~	15,000,000(exclusive)	Hung, Chih-Hsun、Liu, Chin-Hung	Hung, Chih-Hsun、Liu, Chin-Hung
15,000,000(inclusive) ~	30,000,000(exclusive)	Chen, Wen-Liang	Chen, Wen-Liang
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

Remark: Former Senior Vice President, transferred to the position of Consultant of R&D Center in February, 2022

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

Fiscal year of 2021; 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	-	8,223	8,223	0.41%
	Senior Vice President	Hung, Chih-Hsun				
	Vice President	Liu, Chin-Hung				
	Vice President	Lin, Yu-Hsin				
	Assistant Manager	Liu, Tsung-Ning (Remark1)				
	Accounting and Finance Supervisor	Hung, Mao-Chuan				
	Corporate Governance Supervisor	Hong, Shu-Ling(Remark2)				
	Consultant	Lin, Han-Chih(Remark3)				

Remark1: Took office in Aug 2021. Remark2: Took office in May 2021

Remark3: Formerly Senior Vice President, transferred to the position of Consultant of R&D Center in February, 2022

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

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

Title	Proportion of the total compensation in net profit after tax in 2020 (%)		Proportion of the total compensation in net profit after tax in 2021(%)	
	The Company	All Companies listed in the Financial Statements	The Company	All Companies listed in the Financial Statements
Directors	4.51%	4.51%	2.71%	2.71%
President and Vice Presidents	2.76%	2.76%	2.50%	2.50%

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

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

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

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

4. Operation of Corporate Governance

(1) Operation of the Board of Directors

A. In the most recent year (2021), the Board of Directors held 12 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)	Remark
Chairman	Chen, Wen-Liang	12	0	100.00	
Director	Shanyi Investment Co., Ltd Representative: Tsai, Kuo-Chi	0	2	50.00	Reassigned the Representative on April 01,2021 Resigned on June 16,2021
	Shanyi Investment Co., Ltd Representative: Hung, Chih-Hsun	2	0		
Director	Shanyi Investment Co., Ltd Representative: Liu, Chin-Hung	5	0	100.00	Reassigned the Representative on August 21,2021
	Shanyi Investment Co., Ltd Representative : Hung, Chih-Hsun	7	0		
Director	Li Shun Investment Co. Representative: Hsieh, Ming-Lin	11	1	91.67	
Independent Director	Yeh, Shu	4	0	100.00	Resigned on May 31,2021
Independent Director	Yeh, Jui-Pin	12	0	100.00	
Independent Director	Chen, Tze-Chiang	11	0	100.00	Resigned on December 27,2021
Independent Director	Liu, Frank	7	0	100.00	Took office on August 20,2021
Independent Director	Wang, Hsuan	7	0	100.00	Took office on August 20,2021
Remark : Actual Attendance Rate (%) is calculated based on the number of board meetings and actual attendance during his/her tenure.					

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

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

Meeting Date	Meeting		Contents of Proposal	All opinions of Independent Directors and the Company's handling of the opinions of Independent Directors
Mar. 4, 2021	4th Term	6th Meeting	Chairman election	All independent directors agreed and had no opinions.
Mar. 12, 2021	4th Term	7th Meeting	To revise the Company's internal control procedures	
			Appointment of the certified public accountant of the Company of 2021	
Apr. 06, 2021	4th Term	8th Meeting	Removal of the restrictions on the non-competition of the new independent directors	

Meeting Date	Meeting		Contents of Proposal	All opinions of Independent Directors and the Company's handling of the opinions of Independent Directors
May 7, 2021	4th Term	9th Meeting	Resolve cash capital reduction and refund on behalf of the subsidiary- Zentel Electronics Corporation.	
			Approved the establishment and appointment of the head of the Company's corporate governance	
Jul. 30, 2021	4th Term	10th Meeting	To issue the Company's 2021 Employee Stock Options	
			To apply for authorization to trade money market funds on behalf of Zentel Electronics Corporation, the subsidiary of the Company	
Sep. 16, 2021	4th Term	12th Meeting	To set the base date of exchange and relevant procedures for stock par value split	
Oct. 15, 2021	4th Term	14th Meeting	Approved the cash capital increase and issuance of Global Depository Receipt(GDR)	
Oct. 29, 2021	4th Term	15th Meeting	Audit fee of 2021 financial report of certified public accountant	
Dec. 6, 2021	4th Term	16th Meeting	To formulate procedures for cash capital increase and issue GDR	
Dec. 24, 2021	4th Term	17th Meeting	Appointment of the certified public accountant of the Company and relevant audit fee of 2022	

(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
Mar. 12, 2021	4th Term	7th Meeting	Report on salary adjustment of President of 2021 and his payment of operating and performance bonus for the 4th quarter of 2020	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.
			Approval of distribution of the Company's 2020 employees compensation and directors compensation		
Apr. 6, 2021	4th Term	8th Meeting	To nominate candidates for independent directors and to examine their independence	The discussion of this proposal was related to the Director Yeh, Shu.	
May 7, 2021	4th Term	9th Meeting	Report on payment of the President's performance bonus of 2020, operating and performance bonus for the 1st quarter of 2021	The discussion of this proposal was related to the Director Chen, Wen-Liang.	
Sep. 16, 2021	4th Term	12th Meeting	Report on payment of the President's operating and performance bonus for the 2nd quarter of 2021	The discussion of this proposal was related to the Director Chen, Wen-Liang.	

Meeting Date	Meeting		Contents of Proposal	Reason for avoidance of conflicts	Resolution
			Determination of the compensation of the Independent Director, Liu Frank, according to the "Compensation Policy for Directors and Functional Committee Members"	The discussion of this proposal was related to the Director Liu, Frank.	
			Determination of the compensation of the Independent Director, Wang Hsuan, according to the "Compensation Policy for Directors and Functional Committee Members"	The discussion of this proposal was related to the Director Wang, Hsuan.	
Sep. 30, 2021	4th Term	13th Meeting	To sign a long-term raw material purchase contract with vendor	The discussion of this proposal was related to the Directors Hsieh, Ming-Lin.	
Dec. 24, 2021	4th Term	17th Meeting	Report on payment of the President's operating and performance bonus for the 3rd quarter of 2021	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 2022.

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Method of Evaluation	Contents of Evaluation
Once per year	Evaluate the performance of the Board and functional committee as of January 1, 2021 to December 31, 2021	Evaluate the performance of the Board of Directors, individual directors, and functional committee	1. The members of the Board of Directors evaluate the overall performance of the Board of Directors. 2. Individual board members conduct self-performance evaluations. 3. The members of the audit committee evaluate the overall performance of the committee. 4. The members of the Compensation Committee evaluate the overall performance of the committee.	1. 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. 2. Overall performance evaluation of the audit committee: Taking into account the evaluation indicators formulated by the competent authority, the degree of participation in the operation of the Company, the perception of the responsibilities of the audit committee, the decision quality of the audit committee, the

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

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

a. The Company's official website has a "Corporate Governance" section, which covers corporate governance structure, operation of the Board of Directors and functional committee, and important company rules and regulations, etc. Shareholders can understand the operation of the Board of Directors of the Company through this section.

b. The Company elected two Independent Directors for a term of three years at the general meeting of shareholders in 2021. In addition, according to the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies", the Company formulated the "Rules of Procedure of the Board of Directors" to be followed. The Company provides information on the attendance of directors of the Board of Directors at the Market Observation Post System.

c. Establishment of the Compensation Committee and audit committee: The Company has established the Compensation committee on April 20, 2015 and appointed independent directors, and established the audit committee at the annual shareholders' meeting in 2017 to strengthen the Board of Directors in carrying out its duties.

d. Strengthening corporate governance: The "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", and "Corporate Governance Best Practice Principles" were adopted by the Board of Directors on December 22, 2014. Continue to update and revise the provisions in accordance with laws and regulations and the Company's practical operations. Also Company's Board of Directors consists of 6 directors, of which 3 are independent directors and 2 directors as employee (50.00% and 33.33% of all directors) , as well as the independent directors arear more than half of the directors sity 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.

(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. 2021 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, 2021, and has appointed Deloitte & Touche to audit the financial statements and to issue an independent re

Company's Board of Directors consists of 6 directors, of which 3 are independent directors and 2 directors as employee (50.00% and 33.33% of all directors) , as well as the independent directors arear more than half of the directors the policies and procedures of the Company's internal control system (including controls over sales, procurement, outsourcing, personnel, finance, information security, and compliance with laws and regulations), and supervised the operation of the Company's internal audit unit and reviewed the results of the internal control self-assessment. The Audit Committee considers that the Company's internal control system is effective.

B.In the most recent year (2021), the audit committee held 7 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 2)	Remark
Convener (Remark 1)	Yeh, Jui-Pin	7	0	100.00%	
Convener	Yeh, Shu	2	0	100.00%	Resigned on May 31,2021
Member	Chen, Tze-Chiang	7	0	88.89%	Resigned on December 27,2021
Member	Liu, Frank	4	0	100.00%	Took office on August 20,2021
Member	Wang, Hsuan	4	0	100.00%	Took office on August 20,2021
Remark1：Due to the Director Yeh,Shu resign, all the independent directors agreed to recommend the Director Yeh, Jui-Pin to be the chairman of the Audit Committee from August 20,2021. Remark2: 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
2nd Term 5th Meeting of the Audit Committee	Mar. 11, 2021	■ The 2020 "Statement of Internal Control System" ■ Amendment of Internal Control System ■ 2020 annual individual and consolidated financial statements and business report of the Company ■ Appointment of the certified public accountant of the Company 2021	All independent directors agreed and had no opinions.
2nd Term 8th Meeting of the Audit Committee	Oct. 15, 2021	■ Approved the cash capital increase and issuance of Global Depository Receipt(GDR)	
2nd Term 9th Meeting of the Audit Committee	Oct. 29, 2021	■ Audit fee of 2021 financial report of certified public accountant	
2nd Term 10th Meeting of the Audit Committee	Dec. 6, 2021	■ To formulate procedures for cash capital increase and issue GDR	
2nd Term 11th Meeting of the Audit Committee	Dec. 24, 2021	■ Appointment of the certified public accountant of the Company and relevant audit fee of 2022	

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
2nd Term 5th Meeting of the Audit Committee	Mar. 11, 2021	■ 2020 Internal Control Policy Statement ■ Implementation of Annual Audit Plan	The internal audit supervisor regularly reports the implementation and improvement of the audit plan in the meeting and communicates and exchanges views on the effectiveness of the Company's internal control implementation.
2nd Term 6th Meeting of the Audit Committee	May 7, 2021	■ Implementation of Annual Audit Plan and Follow-up of improvement actions taken against deficiencies	
2nd Term 7th Meeting of the Audit Committee	Jul. 30, 2021	■ Implementation of Annual Audit Plan and Follow-up of improvement actions taken against deficiencies	
2nd Term 9th Meeting of the Audit Committee	Oct. 29, 2021	■ Implementation of Annual Audit Plan and Follow-up of improvement actions taken against deficiencies	
2nd Term 11th Meeting of the Audit Committee	Dec. 24, 2021	■ 2022 Audit Plan Risk Assessment and Planning ■ Implementation of 2021 Annual Audit Plan and Follow-up of improvement actions taken against deficiencies	

(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 11, 2021, 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				No significant difference
(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?	✓		(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) Does the Company possess a list of major shareholders and beneficial owners of these major shareholders?	✓		(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) Has the Company built and executed a risk management system and firewall between the Company and its affiliates?	✓		(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) Has the Company established internal rules prohibiting insider trading on undisclosed information?	✓		(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.	
3. Composition and Responsibilities of the Board of Directors				No significant difference
(1) Has the Company established a diversification policy for the composition of its Board of Directors, and has it been implemented accordingly?	✓		(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) Other than the Compensation Committee and the audit committee which are required by law, does the Company voluntarily set up other functional committees?		✓	(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) Has the Company established a performance evaluation method and procedures for the Board of Directors to conduct performance evaluation on an annual basis? Does the Company report the results of performance evaluation to the Board of Directors for reference in the salary and compensation of individual directors and nomination for renewal of office?	✓		(3) The Company has stipulated the "Self-Evaluation or Peer Evaluation of the Board of Directors" and implemented it in the 1st quarter of 2021.	
(4) Does the Company regularly evaluate its external auditors' independence?	✓		(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, t , also holds the President position to improve management efficiency, decision-making, and execution ability. Theuditors. The Company reported it to the audit committee and the Board of Directors for their consideration and obtained approval of appointment on December 24, 2021.	

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 handing 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 www.apmemory.com. (2) The Company has designated the Finance and Accounting Center (Contact No.: 03-560-1651; Email: ir@apmemory.com) to handle the collection and disclosure of information. The Company has established a spokesman system (Spokesman: Lin, Yu-Hsin; Deputy Spokesman: Yang, Yu-Chian). 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 www.apmemory.com, 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	
			information. (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. (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. (6) The Company maintains D&O Insurance for its directors and officers.	

9. Please state the improvement situation according to the corporate governance evaluation results issued by the Corporate Governance Center, Taiwan Stock Exchange in the most recent year, and for those issues that have not been improved, please suggest action plans and measures for improvement:

The Company will enhance immediacy and integrity of information disclosure, including:

A. Improving the Company's website to provide Chinese and English pages for general staff, investors, suppliers, and stakeholders.
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".
C. Planning for the publication of the Corporate Sustainability Report

Table 1: Directors' Training Records in 2021

Title	Name	Training Date	Training Course	Training Hours	Course Organizer
Chairman	Chen, Wen-Liang	Jun. 8,2021	Using ESG to enhance corporate strategic capabilities	3.0	Accounting Research and Development Foundation
		Sep. 1, 2021	The 13th Taipei Corporate Governance Forum	3.0	Financial Supervisory Commission
Director	Shanyi Investment Co., Ltd Representative: Hung, Chih-Hsun	Oct. 28, 2021	The Annual Insider Stock Exchange Act Compliance Briefing	3.0	Securities & Futures Institute
		Dec. 15, 2021	How to use the IPM system to improve corporate governance	3.0	Accounting Research and Development Foundation
Director	Li Shun Investment Co. Representative: Hsieh, Ming-Lin	Oct. 18, 2021	Insider Stock Exchange Act Compliance Briefing	3.0	Taipei Exchange
Independent Director	Yeh, Jui-Pin	Jun. 7, 2021	Cases study of legal liability of tracing of Cash Flow and the financial malpractice	3.0	Accounting Research and Development Foundation
		Jun. 21, 2021	Case studies of financial misrepresentation and how to see through the key information in financial statements	3.0	
Independent Director	Liu, Frank	Dec. 21, 2021	All views of new policies for Corporate Sustainable Development, Climate Governance and Low Carbon Management	6.0	Taiwan Corporate Governance Association
Independent Director	Wang Hsuan	Jun. 8, 2021	Using ESG to enhance corporate strategic capabilities	3.0	Accounting Research and Development Foundation
		Jun. 21, 2021	Case studies of financial misrepresentation and how to see through the key information in financial statements	3.0	
		Jun. 22, 2021	Corporate governance 3.0 – blueprint for sustainable developments	3.0	

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.	■ Yes	□No
2. Having no material financial interest with the principal	■ Yes	□No
3. Having avoided any inappropriate relationship with the principal.	■Yes	□No
4. Accountants should ensure the integrity, impartiality and independence of their associates.	■Yes	□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.	■Yes	□No
6. The name of the accountant shall not be used by others.	■Yes	□No
7. Having no shareholding in the Company and its affiliates	■Yes	□No
8. Having no borrowing nor lending with the Company or its affiliates, except for normal transactions of the financial industry.	■Yes	□No
9. There is no joint investment or benefit-sharing relationship with the Company or its affiliates.	■Yes	□No
10. Not concurrently serving in the regular work for the Company or its affiliates to receive a fixed salary.	■Yes	□No
11. Having not involved in the management function of making decisions in the Company or its affiliates.	■Yes	□No
12. Having not concurrently engaged in any other business that may lose the independence.	■Yes	□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	■Yes	□No
14. Having not received any commission in connection with the business.	■Yes	□No
15. Having not received any disciplinary or compromised the principle of independence.	■Yes	□No

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

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

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

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

C. Operation of the Compensation Committee

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

(ii) Term of this Compensation Committee: From June 15, 2020 to June 14, 2023. In the most recent year, the Compensation Committee held 6 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, Jui-Pin	6	0	100.00%	(2)
Convener	Yeh, Shu	3	0	100.00%	(3)
Member	Lan, Ching-Yao	5	1	83.33%	
Member	Liu, Frank	3	0	100.00%	(4)
Member	Wang, Hsuan	3	0	100.00%	(4)

Remark1: Actual Attendance Rate (%) is calculated based on the number of meetings of the audit committee and actual attendance during his/her tenure.
Remark2: Due to the Director Yeh, Shu resignation, all the independent directors agreed to recommend the Director Yeh, Jui-Pin to be the chairman of the Audit Committee from August 20, 2021.
Remark3: Resigned on May 31, 2021
Remark4: Took office on August 20, 2021

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

Meeting date	Discussion	Resolution
Jan. 7, 2021	Amendment of "Salary and Payroll Management Regulations" and "Operating Bonus Calculation and Distribution Plan".	It is agreed by all members present and approved by the Board of Directors by resolution.
Mar. 11, 2021	Amendment of "Compensation Committee Charter" Amendment of "Salary and Payroll Management Regulations" and "Operating Bonus Calculation and Distribution Plan". The compensation of the Company's management. The list of employee stock options of management.	It is agreed by all members present and approved by the Board of Directors by resolution.
May 7, 2021	The compensation of Finance & Accounting supervisor. The compensation of the newly appointed corporate governance supervisor.	It is agreed by all members present and approved by the Board of Directors by resolution.
Sep. 13, 2021	Independent Directors' compensation The compensation of the Company's management.	It is agreed by all members present and approved by the Board of Directors by resolution.
Nov. 12, 2021	The compensation of the Company's management.	It is agreed by all members present.
Dec. 28, 2021	Amendment of "Salary and Payroll Management Regulations" and "Operating Bonus Calculation and Distribution Plan".	It is agreed by all members present and approved by the Board of Directors by resolution.

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

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

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

Evaluation Items	Implementation Status			Difference with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and the Reasons
	Yes	No	Summary Descriptions	
1. Does the Company establish a governance structure to promote sustainable development, established a dedicated (part-time) unit to promote sustainable development; and did the Board of Directors authorize senior management to handle it and report the supervisory status to the Board of Directors?		✓	The Company does not yet have a dedicated (part-time) unit to promote sustainable development, but will do so in the future.	This will be set up in the future as required and will be delegated by the Board to management and reported to the Board.
2. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	✓		The Company has established the "Risk Management Policy" which has been approved by the audit committee and the Board of Directors. In addition to keeping track of possible internal and external risks, the Company will regularly stimulate the response measures and results when risks occur.	No significant difference
3. Environment (1) Does the Company establish an appropriate environmental management system according to its industrial 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) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(2) The Company continues to promote electronic signatures to reduce paper consumption, thus saving energy and reducing greenhouse gases emissions. The greenhouse gases inventory and target will be planned from 2022 onwards.	No significant difference
(3) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	✓		(3) The Company is an IC design industry and has no factory. The operation of the Company has a smaller impact on greenhouse gases emissions than other industries. The Company planned to carry out statistics on the use of various resources in the workplace since 2023 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) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?		✓		In 2022, through the ESG report to identify significant environmental, social and corporate governance related material issues and governance-related issues, process, results and risk management strategies or strategies
4. Social (1) Does the company formulate appropriate management policies and procedures according to relevant regulations 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	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	
			commercial insurance for all employees.	
(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	✓		(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 healthy and safe working environment and organize training on health and safety 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) Does the company provide its employees with career development and training Terms?	✓		(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's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	✓		(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) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	✓		(6) The Company's contracts with its main suppliers incorporate the spirit of corporate social responsibility.	No significant difference
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?		✓	At present, the Company has not prepared a ESG report and will prepare such report according to its demand in the future.	Planning for the preparation ESG report of 2022 and the report will be published on the Company website as it is ready.
6. If the Company has established the sustainable development principles based on "Sustainable Development Best Practice Principles for TWSE/TPEx Listed: None.				

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

Evaluation Items	Implementation Status			Difference with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and the Reasons
	Yes	No	Yes	No
1. Establishment of Ethical Management Policy and Measures				
(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?	✓		(1) The Company has established the "Ethical Corporate Management Best Practice Principles" which has been implemented after the approval of the Board of Directors.	No significant difference
(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"?	✓		(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.	No significant difference
(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?	✓		(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.	No significant difference
2. Implementation of Ethical Management				
(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?	✓		(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.	No significant difference
(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)?		✓	(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.	The Company will evaluate the establishment of the corresponding dedicated unit according to the operation situation.
(3) Has the Company established and implemented policies to prevent conflicts of interest and provides appropriate communication and complaint channels?	✓		(3) The Company follows the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct".	No significant difference
(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?	✓		(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.	No significant difference
(5) Does the Company regularly conduct internal and external training on ethical management?		✓	(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.	In the future, the Company will organize the ethical management training regularly according to the needs.
3. Implementation of the Company's Reporting System				
(1) Has the Company established a specific reporting and reward system, established channels to facilitate reporting, and assigned appropriate personnel to handle the	✓		(1) The Company has established the "Procedures for Ethical Management and Guidelines for Conduct", which clearly defined the reporting, reward system and	No significant difference

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

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

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

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

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

(9) Execution Status of Internal Control

A. Internal Control Statement

AP Memory Technology Corporation
Statement of Internal Control System

Date: February 25, 2022

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 2021:

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 actives, (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, 2021, 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, timeless, and transparency of our reporting, and compliance with applicable laws and regulations.
6. This Statement will be an integral part of the Company's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on February 25, 2022, with none of the six 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

(1)The Company's 2021 Annual Shareholders' Meeting was scheduled to be held on June 17, 2021,postponed to August 20, 2021 in order to cooperate with government epidemic prevention policy. At the meeting, the shareholders present approved the following resolutions:

Major Resolutions of Shareholders' Meeting	Implementation Status
Acknowledgement: 1. The 2020 Business Report and Financial Statements 2. The Distribution of 2020 Profits	Approved. Approved. A cash dividend of NTD5 was allocated per share, the distribution of which was completed on September 03, 2021.
Discussion： 1. To revise the Company's "Articles of Association" 2. To revise the Company's "Measures of Issuance and Subscription of Employee Stock Options" for the 2nd time in 2016, 2018, 2019, and 2020 3. To revise the Company's "Rules of Procedure for Shareholders Meetings"	Approved. Approved. Approved.
Election: Election of 2 independent directors	Election of directors has been completed. List of the elected directors is as follows: Liu, Frank and Wang, Hsuan
Other Proposals: Removal of the restrictions on the non-competition of the directors and new independent directors	Fully implemented according to the resolutions.

(2)The Company's 2021 extraordinary Shareholders' Meeting was held on December 6,2021. At the meeting, the shareholders present approved the capital increase by cash and issue GDR

B. Resolutions of Board Meetings

During the 2021 calendar year and up to the publication date of the Annual Report, the Company held 15 board meetings, and major resolutions approved at these Board meetings are summarized below:

Date	Proposals
Mar. 4, 2021	Election of Chairman
Mar. 12, 2021	1. Approval of the "2020 Statement of Internal Control System". 2. Amendment of the Company's "Internal Control System" and "Internal Audit Implementation Rules". 3. Approval of distribution of the Company's 2020 employees bonus and directors compensation. 4. Approval of the Company's 2020 annual individual and consolidated financial statements and business report. 5. To set the record date for registration of change of capital for employee stock options exercise request during 1st quarter of 2021. 6. Approval of the Company's earnings distribution of cash dividends of 2020. 7. Approval of the Company's earnings distribution plan for the year 2020. 8. Amendment of the Company's "Procedures for Ethical Management and Guidelines for Conduct". 9. Amendment of the Company's "Code of Ethical Conduct". 10. Amendment of the Company's "Rules of Procedure for Shareholders Meetings".

Date	Proposals
	11. Amendment of the Company's "Articles of Association". 12. Amendment of the Company's "Employee Stock Option Issuance and Share Subscription Plan of the the 2nd time in 2016, 2018, 2019, and 2020". 13. Convening the 2021 Annual Shareholders' Meeting. 14. Appointment of the certified public accountant of the Company in 2021. 15. Approved the salary increase of the Company's President in 2021 and distribution of operation and performance bonus for the 4th quarter of 2020. 16. Approved the list of employee stock options per the Company's "The Employee Stock Option Issuance and Share Subscription Plan of 2020" 17. To obtain short-term financing facility from Mega International Commercial Bank.
Apr. 6, 2021	1. Proposal of election of two independent directors of the Company to fill vacancies. 2. To nominate candidates for independent directors and to examine their independence. 3. Removal of the restrictions on the non-competition of the new independent directors. 4. Matters relating to addition and change of the reasons for convening the 2021 Annual Shareholders' Meeting of the Company.
May 7, 2021	1. Resolve cash capital reduction and refund on behalf of the subsidiary- Zentel Electronics Corporation. 2. Resolve capital injection into AP Memory (Hong Kong) on behalf of the subsidiary – AP Memory (Hangzhou). 3. Approved the amendment to the "Articles of Association." 4. Approved the amendment to the "Compensation Committee Charter and Management Regulations." 5. To set the record date for registration of change of capital for employee stock options exercise request during 2nd quarter of 2021. 6. Approved the performance bonus of the President in 2020 and distribution of operation and performance bonus for the 1st quarter of 2021. 7. Appointment of the head of the Company's corporate governance
Jul. 30, 2021	1. In response to the COVID-19 pandemic and relevant orders issued by the government, approving a change to the date of 2021 Annual Shareholders' Meeting. 2. To set the record date for registration of change of capital for employee stock options exercise request during 3rd quarter of 2021. 3. To issue the Company's 2021 Employee Stock Options 4. To obtain financing facility from Land Bank of Taiwan 5. Approved the limit of trading of fund on behalf of Zentel Electronics Corporation, the subsidiary of the Company
Aug. 20, 2021	Appointment of the members of the Compensation Committee
Sep. 16, 2021	1. To set the record date of the par value change of common stock. 2. Approved the President's operating and performance bonus for the 2nd quarter of 2021. 3. Approval of the compensation of newly elected independent directors.
Sep. 30, 2021	Approval of the major purchase agreement.
Oct. 15, 2021	1. Discussed and approved the proposal of new shares issuance for global depositary receipts. 2. Convening the 2021 Extraordinary Shareholders' Meeting 3. Set up the subsidiary in Cayman Islands.
Oct. 29, 2021	1. Approved the auditing fee of 2021. 2. Amendment of "Seal Management Regulations".
Dec. 6, 2021	Proposed to the newly issued common shares as result of cash capital increase for sponsoring issuance of global depositary receipts.
Dec. 24, 2021	1. Appointment of the certified public accountant of the Company and auditing fee of 2022. 2. The Annual Audit Plan of 2022. 3. The Company's annual budget of 2022 4. Approved to apply to CTBC Bank for short-term financing line. 5. Approved the President's operating and performance bonus for the 3rd quarter of 2021 6. Amendment of O-Chat of the Company. 7. Appointment of representative of Zentel Electronic Corporation.
Feb. 25, 2022	1. Approval of the "2021 Statement of Internal Control System". 2. Approval of distribution of the Company's 2021 employees bonus and directors compensation. 3. Approval of the Company's 2021 annual individual and consolidated financial statements and business report. 4. Approval of the Company's earnings distribution of cash dividends of 2021. 5. Approval of the Company's earnings distribution plan for the year 2021. 6. Amendment of "Procedures for Acquisition or Disposal of Assets". 7. Amendment of "Articles of Incorporation". 8. Proposal of election of one independent directors of the Company to fill vacancy. 9. To nominate candidate for independent director and to examine the independence. 10. Convening the 2022 Annual Shareholders' Meeting.

Date	Proposals
	11. To set the record date for registration of change of capital for employee stock options exercise request during 1st quarter of 2022. 12. To set the record date of retirement of treasury shares purchased in October, 2018. 13. To obtain short-term financing facility from Mega International Commercial Bank. 14. To obtain short-term financing facility from Citi Bank. 15. Approved the compensation plan for the President's operation performance. 16. Approved the representative of the subsidiary in Cayman and its Taiwan branch.
Apr. 15, 2022	1. Amendment of the Company's" Rules Governing the Procedures for Shareholders Meetings" 2. Approved to revise the agenda for 2022 Annual Shareholders' Meeting
Apr. 29, 2022	1. Approved the financial statement of 1st quarter of 2022. 2. Amendment of "Internal Control System", the "Internal Audit Implementation Rules", and "Self-Assessment of Internal Control System". 3. Amendment of "Management of the Financial Statement preparation process". 4. Amendment of "Management of the Liability Commitment and Contingencies". 5. Amendment of "Rule of management of related party transactions. 6. Amendment of " Management of financial and non-financial information." 7. Amendment of "Rules of authorization and deputy systems" 8. Amendment of "Corporate Governance Best Practice Principles" 9. Amendment of "Corporate Responsibility Practice Principles" and renamed to "Sustainable Development Best Practice Principles" 10. Amendment of "Measures for Performance Evaluation of the Board of Directors". 11. Approved the list of employee stock options per the Company's "The Employee Stock Option Issuance and Share Subscription Plan of 2021."

(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 19, 2017	March 4, 2021	Personal career plan

5. Information of Audit Fee

(1) Audit Fee

Unit: In thousands of NTD

Accounting Firm	Name of CPA	Audit Period	Audit Fee	Non-Audit Fee	Total Amount	Remark
Deloitte & Touche	Chien, Ming-Yen Chiu, Cheng-Chun	January 1, 2021 to December 31, 2021	4,200	7,379	11,579	—

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

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

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

6. Information on Replacement of CPA:

(1)The former CPA

<table>
<tr><td>Date of Change</td><td colspan="4">2021/03/31</td></tr>
<tr><td>Reason and Description of the Change</td><td colspan="4">Internal adjustment of the CPA firm</td></tr>
<tr><td rowspan="3">Disclosure that the Appointer or CPA is either Terminated or Refuses the Appointment</td><td colspan="2">Party / Situation</td><td>CPA</td><td>Appointer</td></tr>
<tr><td colspan="2">Termination of appointment</td><td colspan="2" rowspan="2">Not applicable</td></tr>
<tr><td colspan="2">Does not accept (continuous) the appointment</td></tr>
<tr><td colspan="5">Opinions and Reasons of Audit Report Issued in the Past Two Years other than Unqualified Opinions: None</td></tr>
<tr><td rowspan="6">Any Disagreement with the Issuer</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting principles or practice</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial report</td></tr>
<tr><td></td><td colspan="2">Scope or steps of audit</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td>NO</td><td>✓</td><td colspan="2"></td></tr>
<tr><td colspan="4">Description: None</td></tr>
<tr><td colspan="5">Other Items to be Disclosed. (Those to be Disclosed According to Article 10 Paragraph 6 Item 1-4 to Item 1-7 of this Criteria): None</td></tr>
</table>

(2) The successor CPA

Name of CPA Firm	Deloitte & Touche
Name of CPA	Chien, Ming-Yen; Chiu, Cheng-Chun
Date of Appointment	2021/03/31
Consultation Results and Opinions on Accounting Treatments or Principles with Respect to Specified Transactions and the Company's Financial Reports that the CPA might Issue Prior to the Engagement	None
Documentary Opinion on the Matter of Disagreement between Successor CPA and Former CPA	None

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

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

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

Unit: Share

Title	Name	2021		2022 as of April 30 (Remark 11)	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman and President	Chen, Wen-Liang (Remark 1)	30,000-	-	31,040	-
Director	Shanyi Investment Co., Ltd(Remark 2)	13,228,334	-	-	-
	Representative: Tsai, Kuo-Chi (Remark 1, 2)	-	-	-	-
	Representative: Hung, Chih-Hsun (Remark 2)	-	-	51,248	-
Director	Shanyi Investment Co., Ltd	13,228,334	-	-	-
	Representative: Liu, Chin-Hung (Remark 3)	189,856	-	1,196	-
	Representative: Hung, Chih-Hsun (Remark 3)	-	-	51,248	-
Director	Li Shun Investment Co.	-	-	-	-
	Representative: Hsieh, Ming-Lin	-	-	-	-
Independent Director	Yeh, Shu(Remark 4)	-	-	-	-
Independent Director	Yeh, Jui-Pin	-	-	-	-
Independent Director	Chen, Tze-Chiang(Remark 5)	-	-	-	-
Independent Director	Liu, Frank(Remark 6)	-	-	-	-
Independent Director	Wang, Hsuan(Remark 6)	-	-	-	-
Major Shareholder	Shanyi Investment Co., Ltd	13,228,334	-	-	-
Senior Vice President	Hung, Chih-Hsun	-	-	51,248	-
Vice President	Liu, Chin-Hung	189,856	-	1,196	-
Vice President	Lin, Yu-Hsin	138,718	-	-	-
Assistant Manager	Liu Tsung-Ning(Remark 7)	-	-	-	-
Assistant Manager	Huang, Wei Cheng(Remark 8)	-	-	-	-
Assistant Manager	Fan, Yu Chuan(Remark 8)	-	-	-	-
Accounting and Finance Supervisor	Hung, Mao-Chuan	-	-	276	-
Corporate Governance Supervisor	Hong, Shu-Ling (Remark 9)	5,000	-	6,000	-
Consultant	Lin, Han-Chih (Remark 10)	198,304	-	-	-

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: Shanyi Investment Co., Ltd appointed Mr. Hung, Chih-Hsun to take over the representative on May 16, 2021 and resigned the director on June 16, 2021.
Remark 3: Shanyi Investment Co., Ltd appointed Mr. Hung, Chih-Hsun to take over the representative on August 21, 2021.
Remark 4: Resigned on May 31, 2021
Remark 5 Resigned on December 27, 2021
Remark 6: Took office on August 20, 2021
Remark 7: Took office in August , 2021
Remark 8: Took office in April, 2022
Remark 9: Took office in May, 2021
Remark 10: Formerly Senior Vice President, transferred to the position of Consultant of R&D Center in February, 2022
Remark 11: The number of stock shares in this table is based on the insider shareholding report as of April 2022.

(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

March 29, 2022; 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	26,456,668	16.34%	—	—	—	—	Representative of YAMAICHI HOLDINGS CO., LTD.: Li, Juan	Parent Company	
Representative: Li, Juan	—	—	—	—	—	—			
Huang, Chung-Jen	7,185,006	4.44%	—	—	—	—	RESEN Corporation	Representative of Director	
							JENDAN Investment Inc.	Director	
Deutron Electronics Corporation	6,450,000	3.98%	—	—	—	—	N/A		
Responsible Person: Lo, Ying-Hua	—	—	—	—	—	—			
Yu Hui Investment Co.	4,644,470	2.87%	—	—	—	—	N/A		Remark
Responsible Person: Chen, Hui-Chuan	573,970	0.35%	—	—	570,286	0.35%			
YAMAICHI HOLDINGS Co., Ltd.	4,558,610	2.82%	—	—	—	—	Representative of Shanyi Investment Co., Ltd: Li, Juan	Subsidiary	
Responsible Person: Li, Juan	—	—	—	—	—	—			
RESEN Corporation	4,041,980	2.50 %	—	—	—	—	Huang, Chung-Jen	Representative of Director	
Responsible Person: Huang, Shu-Min	760,000	0.47%	—	—	—	—			
Wu, Yu-Chan	3,726,000	2.30%	—	—	—	—	N/A		
Girish	3,682,678	2.27%	—	—	—	—	N/A		
JENDAN Investment Inc.	3,061,830	1.89%	—	—	—	—	Huang, Chung-Jen	Director	
Responsible Person: Hung, Cheih-Hsien	20,550	0.01%	—	—	—	—			
Li, Hsuan-Hsi	2,720,192	1.68%	—	—	—	—	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, 2021; 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	100	100.00%	-	-	100	100.00%
AP Memory Technology (Hangzhou) Corporation	-	100.00%	-	-	-	100.00%
AP Memory Technology (Hong Kong) Co. Limited	-	100.00%	-	-	-	100.00%
APware Technology Corp.	-	100.00%	-	-	-	100.00%

IV Fundraising

1. Capital and Shares

(1) Sources of Capital

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

Month/ Year	Issue Price (NTD)	Authorized Capital		Paid in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Property other than cash is paid by subscribers	Others
January 2021	10	100,000	1,000,000	74,232	742,316	Increase NTD 1,020 thousand due to exercise of employee share options	N/A	January 13, 2021 Eco Auth Biz Zhi No.10901251540
March 2021	10	100,000	1,000,000	74,333	743,326	Increase NTD 1,010 thousand due to exercise of employee share options	N/A	March 31, 2021 Eco Auth Biz Zhi No.11004047640
May 2021	10	100,000	1,000,000	74,339	743,386	Increase NTD 60 thousand due to exercise of employee share options	N/A	May 28, 2021 Eco Auth Biz Zhi No.11001089660
August 2021	10	100,000	1,000,000	74,341	743,406	Increase NTD 20 thousand due to exercise of employee share options	N/A	August 20, 2021 Eco Auth Biz Zhi No.11001144870
September 2021	5	200,000	1,000,000	148,681	743,406	—	N/A	September 6, 2021 Eco Auth Biz Zhi No. 11001153620; change in par value from NT$10 to NT$5 per share, with an equal proportional increase in the number of paid-in capital shares and no change in the amount of paid-in capital
March 2022	5	200,000	1,000,000	161,481	807,406	Increase NTD 64,000 thousand due to Issue common shares for global depositary receipts	N/A	March 14, 2022 Eco Auth Biz Zhi No.11101035820
April 2022	5	200,000	1,000,000	161,379	806,896	Increase NTD 2,070 thousand due to exercise of employee share options Decrease NTD 2,580 thousand due to retirement of treasury shares	N/A	April 11, 2022 Eco Auth Biz Zhi No.11101041780

April 30, 2022; Unit: Share

Type of Stock	Authorized Share Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Common Stock	161,419,246	38,580,754	200,000,000	Listed Stock. The number of outstanding shares includes 40,000 shares due to exercise employee options conversion, the registration of changes of which has not yet been completed.

(2) Composition of Shareholders

March 29, 2022; 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	2	147	24,057	164	24,370
Shareholding	0	122,000	56,465,838	79,448,718	25,898,690	161,935,246
Holding Percentage	0.00	0.08	34.87	49.05	16.00	100.00

(3) Distribution Profile of Share Ownership

March 29, 2022; Unit: Person; Share; %

NTD5 per share

Shareholding Classification	Number of Shareholders	Shareholding	Holding Percentage
1 ~ 999	8,337	1,347,584	0.83
1,000 ~ 5,000	13,946	25,361,112	15.66
5,001 ~ 10,000	1,146	8,689,193	5.37
10,001 ~ 15,000	296	3,741,594	2.31
15,001 ~ 20,000	177	3,193,922	1.97
20,001 ~ 30,000	153	3,854,414	2.38
30,001 ~ 40,000	68	2,439,602	1.51
40,001 ~ 50,000	42	1,926,270	1.19
50,001 ~ 100,000	75	5,426,890	3.35
100,001 ~ 200,000	61	8,879,655	5.48
200,001 ~ 400,000	29	8,828,980	5.45
400,001 ~ 600,000	17	8,350,560	5.16
600,001 ~ 800,000	7	4,803,638	2.97
800,001 ~ 1,000,000	1	877,536	0.54
Over 1,000,001	15	74,214,296	45.83
Total	24,370	161,935,246	100.00

(4) List of Major Shareholders

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

March 29, 2022; Unit: Share; %

Shares / Name of Major Shareholders	Shareholding	Holding Percentage
Shanyi Investment Co., Ltd	26,456,668	16.34
Huang, Chung-Jen	7,185,006	4.44
Deutron Electronics Corporation	6,450,000	3.98
Yu Hui Investment Co.	4,644,470	2.87
YAMAICHI HOLDINGS CO., LTD.	4,558,610	2.82
RESEN CORPORATION	4,041,980	2.50
Wu Yu-Chan	3,726,000	2.30
Girish	3,682,678	2.27
JENDAN INVESTMENT INC.	3,061,830	1.89
Li Hsuan-Hsi	2,720,192	1.68

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

Unit: NTD; 1,000 shares

<table>
<tr><th colspan="3" rowspan="2">Item / Year</th><th rowspan="2">2020</th><th colspan="2">2021</th><th rowspan="2">The current year as of April 30, 2022 (Remark 5)</th></tr>
<tr><th>NT$10 / Per Share (Remark6)</th><th>NT$5 / Per Share (Remark6)</th></tr>
<tr><td rowspan="3">Market Price Per Share</td><td colspan="2">Highest</td><td>565.00</td><td>937.00</td><td>625.00</td><td>504.00</td></tr>
<tr><td colspan="2">Lowest</td><td>73.50</td><td>426.00</td><td>372.50</td><td>227.00</td></tr>
<tr><td colspan="2">Average</td><td>261.24</td><td>699.43</td><td>510.66</td><td>367.19</td></tr>
<tr><td rowspan="2">Net Worth Per Share</td><td colspan="2">Before Distribution</td><td>41.80</td><td colspan="2">32.22</td><td>59.14</td></tr>
<tr><td colspan="2">After Distribution</td><td>36.81</td><td colspan="2">25.71(Remark 1)</td><td>-</td></tr>
<tr><td rowspan="3">Earnings Per Share</td><td colspan="2">Weighted Average Shares</td><td>73,764</td><td colspan="2">148,148</td><td>157,922</td></tr>
<tr><td rowspan="2">Earnings Per Share</td><td>Before Retrospectively Adjustment</td><td>11.00</td><td colspan="2">13.67(Remark 7)</td><td>3.53</td></tr>
<tr><td>After Retrospectively Adjustment</td><td>5.5 (Remark 6)</td><td colspan="2">-</td><td>-</td></tr>
<tr><td rowspan="4">Dividends Per Share</td><td colspan="2">Cash Dividends</td><td>4.99946006</td><td colspan="2">6.00(Remark 1)</td><td>-</td></tr>
<tr><td rowspan="2">Issuance of Bonus Shares</td><td>Stock Dividend from Earnings</td><td>-</td><td colspan="2">-</td><td>-</td></tr>
<tr><td>Capital Surplus Allotment</td><td>-</td><td colspan="2">-</td><td>-</td></tr>
<tr><td colspan="2">Accumulated Undistributed Dividend</td><td>N/A</td><td colspan="2">N/A</td><td>-</td></tr>
<tr><td rowspan="3">Return on Investment</td><td colspan="2">Price/Earnings ratio (Remark 2/6)</td><td>23.75</td><td colspan="2">27.55</td><td>-</td></tr>
<tr><td colspan="2">Price/Dividends ratio (Remark 3/6)</td><td>52.25</td><td colspan="2">62.78</td><td>-</td></tr>
<tr><td colspan="2">Cash Dividend Yield(Remark 4/6)</td><td>1.91%</td><td colspan="2">1.59%</td><td>-</td></tr>
</table>

Remark 1: The Company’s earning distribution proposal for 2021 has been approved by the Board of Directors and is waiting for submission to the 2022 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: Cash Dividend Yield = Cash Dividends Per Share/ Average Market Price

Remark 5: Net Worth Per Share and Earnings Per Share are the data reviewed by the accountant in the 1st quarter of 2021.

Remark 6: The Company's Articles of Incorporation was amended by resolution of the Annual Shareholders’ Meeting on August 20, 2021, in which the denomination of the Company's stock par value was changed from NT$10 to NT$5 and was approved by the Department of Commerce, Ministry of Economic Affairs and TWSE. The number of common shares issued was increased to 148,681 thousand shares. The average closing price per share for the year was $376.65 based on the par value after stock split. For comparability purposes, the highest, lowest and average share prices per share are shown around the record date of the change of par value (October 18, 2021).

Remark 7: The calculation is based on the weighted-average number of shares after par value of the shares changed.

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

A. The Company’s Dividend Policy

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

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

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

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

B. Dividend Distribution

Unit: NTD

Year / Dividends per share		2021
Cash Dividends		6.0
Issuance of Bonus Shares	Earnings	0
	Capital Surplus	0
Total		6.0

The above table is the cash dividends approved by the Board of Directors on February 25, 2022, which was calculated based on the number of outstanding shares on the book closure date of the shareholders' meeting. The actual dividend distribution and dividend ratio shall be calculated according to the actual number of outstanding shares on the ex-dividend base date.

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

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

(8) Compensation of Employees, Directors, and Supervisors

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

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

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

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

The compensation for employees, directors, and supervisors in 2021 are estimated at 2.8613% and 0.3082% of the pre-tax profit before deduction of the compensation for employees and directors respectively, which were allocated in cash by the resolution of the Board of Directors on February 25, 2022.

C. Distribution of Compensation approved by the Board of Directors

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

The Board of Directors of the Company adopted the resolution on February 25, 2022 to distribute in cash the compensation of NTD74,262 thousand to the employees and NTD 8,000 thousand to the directors in 2021, which had no difference with the estimated figure for the fiscal year these expenses are recognized.

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

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

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

The Board of Directors of the Company adopted the resolution on March 12, 2021 not to distribute directors and employees compensation, 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. On February 25, 2022, by resolution of the Board of Directors, the Company retired its treasury shares and completed the registration of the relevant changes.

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:

Item \ Issue Date			January 25, 2022
Issuance and listing			Luxembourg Exchange
Total amount			US$189,760,000
Offering price			US$29.65 per GDS
Number of GDS issued			6,400,000 GDS
Sources of the securities underlying the GDS			Issuance of new common shares by cash capital increase for sponsoring GDS issuance
Number of shares represented by each GDS			Each GDS represents 2 common share
Rights and obligations of GDS holders			The new common shares have the same rights and obligations as the Company's existing issued and outstanding common shares
Trustee			None
Depository bank			Citibank, N.A.
Custodian bank			Citibank Taiwan Limited
Outstanding balance			0 units
Treatment of expenses incurred at issuance and thereafter			Borne by the issuing company
Important conventions about depository and escrow agreement			Please refer to the depository and custodian contract
Market price per unit	Current year to April 30, 2022	Highest	US$28.59
		Lowest	US$16.5
		Average	US$22.72

5.Status of Employee Stock Options Plan

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

April 30, 2022

Type of Employee Stock Options	1st time in 2016	2nd time in 2016	2018		2019	2020		2021
Approval Date	July 5, 2016	December 26, 2016	September 14, 2018		July 11, 2019	September 15, 2020		September 24, 2021
Issue Date	August 1, 2016	January 25, 2017	November 9, 2018	April 26, 2019	December 20, 2019	September 26, 2020	March 12, 2021	April 29, 2022
Duration	5 years	10 years	10 years		10 years	10 years		10 years
Number of Options Granted	300,000	680,000	692,000	8,000	750,000	319,000	69,430	267,000
Ratio of shares exercisable to the total number of shares issued	0.37%	0.84%	0.86%	0.01%	0.93%	0.40%	0.09%	0.17%
Period for subscription	After being granted the employee stock option, the subscriber may exercise option rights according to the period and proportion of the option set out below.	After being granted the employee stock option, the subscriber may exercise option rights according to the period and proportion of the option set out below.	After being granted the employee stock option, the subscriber may exercise option rights according to the period and proportion of the option set out below.		After being granted the employee stock option, the subscriber may exercise option rights according to the period and proportion of the option set out below.	After being granted the employee stock option, the subscriber may exercise option rights according to the period and proportion of the option set out below.		After being granted the employee stock option, the subscriber may exercise option rights according to the period and proportion of the option set out below.
Sources of Option Shares	Issuance of new shares	Issuance of new shares	Issuance of new shares		Issuance of new shares	Issuance of new shares		Issuance of new shares
Vesting Schedule (%)	After the period of grant expires two year, the subscriber may exercise it freely.	Duration of the option grant and the percentage of the maximum number of exercisable options accumulated: (1) Two years after the duration of the option grant: 40% of the total options granted (2) Three years after the duration of the option grant: 70% of the total options granted (3) Four years after the duration of the option grant: Free to exercise the remaining stock options.	Duration of the option grant and the percentage of the maximum number of exercisable options accumulated: (1) Two years after the duration of the option grant: 25% of the total options granted (2) Three years after the duration of the option grant: 25% of the total options granted (3) Four years after the duration of the option grant: 25% of the total options granted (4) Five years after the duration of the option grant: Free to exercise the remaining stock options.		Duration of the option grant and the percentage of the maximum number of exercisable options accumulated: (1) Two years after the duration of the option grant: 25% of the total options granted (2) Three years after the duration of the option grant: 50% of the total options granted (3) Four years after the duration of the option grant: 75% of the total options granted (4) Five years after the duration of the option grant: Free to exercise the remaining stock options.	Duration of the option grant and the percentage of the maximum number of exercisable options accumulated: (1) Two years after the duration of the option grant: 25% of the total options granted (2) Three years after the duration of the option grant: 50% of the total options granted (3) Four years after the duration of the option grant: 75% of the total options granted (4) Five years after the duration of the option grant: Free to exercise the remaining stock options.		Duration of the option grant and the percentage of the maximum number of exercisable options accumulated: (1) Two years after the duration of the option grant: 25% of the total options granted (2) Three years after the duration of the option grant: 50% of the total options granted (3) Four years after the duration of the option grant: 75% of the total options granted (4) Five years after the duration of the option grant: Free to exercise the remaining stock options.
Shares Exercised	300,000 shares	317,200 shares	336,000 shares	2,000 share	234,000 share	0 share	0 share	0 share
Value of Shares Exercised	NTD 2,754,000	NTD 22,919,976	NTD 10,185,100	NTD 86,600	NTD 9,690,800	NTD 0	NTD 0	NTD 0
Shares Unexercised	0	3,000 (Remark 1)	176,000(Remark 2)	6,000	621,000(Remark 3)	300,000 (Remark 4)	68,530(Remark 5)	267,000 share
Original Grant Price Per Share	Not applicable	NTD36.4	NTD 22.0	NTD 21.5	NTD 41.2	NTD 164.6	NTD 385.3	NTD 251.0
Ratio of Shares Unexercised to the total number of shares issued	Not applicable	-	0.22%	0.01%	0.77%	0.37%	0.08%	0.17%
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.		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 286,000 units due to resignation. Remark 3: Excluding the cancellation of 12,000 units due to resignation.
Remark 4: Excluding the cancellation of 19,000 units due to resignation. Remark 5: Excluding the cancellation of 900 units due to resignation. Remark 6: The number of shares available for subscription per unit of the outstanding and unexpired employee stock options issued prior to the date of par value change of share, October 15, 2021, has been adjusted in accordance with the formula set forth in the "The Employee Stock Option Issuance and Share Subscription Plan".

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

April 30, 2022; Unit: New Taiwan dollars; Share

	Title	Name	Number of Options Granted	% of Shares Exercisable to Outstanding Common Shares	Exercised				Unexercised			
					Shares Exercised	Exercise Price Per Share	Value of Shares Exercised	% of Shares Exercised to Outstanding Common Shares	Shares Un-excised	Adjusted Grant Price Per Share	Value of Shares Unexercised	% of Shares Unexercised to Outstanding Common Shares
Officers	President	Chen, Wen-Liang	1,470,900	0.91%	715,000	$10.00~ 82.90	$15,120,300	0.44%	755,900	$22.0~ $385.3	$76,184,420	0.47%
	Senior Vice President	Hung, Chih-Hsun										
	Vice President	Liu, Chin-Hung										
	Vice President	Lin, Yu-Hsin										
	Assistant Manager	Liu Tsung-Ning										
	Assistant Manager	Huang, Wei Cheng										
	Assistant Manager	Fan, Yu-Chuan										
	Accounting and Finance Supervisor	Hung, Mao-Chuan										
	Corporate Governance Supervisor	Hong, Shu-Ling										
Employees (Remark)	Senior Manager	Wang, Mei-Hsien	1,757,800	1.08%	1,304,000	$10.00~ 82.9	$21,961,400	0.81%	453,800	$22.0~ $385.3	$34,015,840	0.28%
	Senior Manager	Li, Jhen-Yuan										
	Manager	Lin, I-Feng										
	Senior Manager	Lin, Jun-Yi										
	Senior Chief Engineer	Ma, Hung-Paio										
	Senior Manager	Chang, I-Chien										
	Senior Manager	Kuo, Chang-Li										
	Senior Manager	Huang, Jing-Lun										
	Chief Engineer	Yang, Ching-Shan										
	Manager	Su, Rou-Fang										

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

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

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

8. Implementation of funding utilization plan：

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

(1) Description of Plan

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

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

C. Use of Proceeds Plan and Schedule :

Unit：thousands

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

D. Estimated Benefits

(A) Building up the production line with TSV technology to improve operation profit ability.

(B) Enhance medium/long-term R&D momentum, and reduce exchange rate risks caused by paying foreign currency for research fees and software.

(C) Purchase of machinery and equipment-Increase the product volume of specific project and improve the operation efficiency.

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

Unit: In thousands of NTD/Piece

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

(ii) Capital recovery period

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

Unit: In thousands of NTD

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

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

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

Unit: In thousands of NTD

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

(ii) Capital recovery period

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

(2) Status of Implementation

Unit: thousand

Plan	Status of Implementation		Amount as of March 31, 2022		Reason of schedule changed and improvement plan
Purchase of machinery equipment	Amount to be used	Estimated	US$	-	The schedule delay of implement was mainly due to fluctuated global market and economic environment. The company will continue to invest relevant resources after the overall market and environment becoming stable.
			NT$	-	
		Actual	US$	-	
			NT$	-	
	% of execution	Estimated		-	
		Actual		-	
R&D team setup	Amount to be used	Estimated	US$	1,036	
			NT$	29,526	
		Actual	US$	-	
			NT$	-	
	% of execution	Estimated		2.34	
		Actual		-	
IC design software cost	Amount to be used	Estimated	US$	15	
			NT$	428	
		Actual	US$	-	
			NT$	-	
	% of execution	Estimated		0.41	
		Actual		-	
Total	Amount to be used	Estimated	US$	1,051	
			NT$	29,954	
		Actual	US$	-	
			NT$	-	
	% of execution	Estimated		0.53	
		Actual		-	

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	2020		2021	
	Net operating revenue	Ratio (%)	Net operating revenue	Ratio (%)
Memory IC chips Sales revenue	3,190,196	89.88	6,318,944	95.49
Service revenue	225,172	6.34	139,566	2.11
License and Royalty revenue	76,603	2.16	154,095	2.33
Other revenue(Remark)	57,526	1.62	4,610	0.07
Total	3,549,497	100.00	6,617,215	100.00

Source: Financial statements audited and attested by CPAs.

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

C. Current products (services) and applications

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

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

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

a. Pseudo SRAM

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 (Very High-bandwidth Memory)
(iv) LPDDR4 memory used in next-generation 5G communications
(v) In Memory Computing
(vi) Silicon Capacitor; Integrated Passive Device (IPD)

(2) Industry overview

A. The present industry status and development

(i) Current industry status

In 2021, market demand continued to be as strong as in 2020, and the global chip shortage was still tight. 2021 continued to be a year of strong growth for the semiconductor industry. According to WSTS, 2021 worldwide semiconductor revenue totaled US$555.9 billion, a year-to-year growth of 26.2%, as shown in the chart below.

ustrial Technology Research Institute (2022/02)

As demand exceeds supply, both sales quantity and ASP increased. According to WSTS, in 2021, sales quantity reached 1,146.9 billion ICs, up 20.2% on-year. ASP was US$0.485, up 5.0% on-year.

From geographic perspective, 2021 semiconductor revenue in the US totaled US$121.5 billion, a 27.4% growth from 2020. 2021 Revenue in Japan totaled US$43.7 billion, a 19.8% increase on-year. Revenue in Europe totaled US$47.8 billion, up 27.3% on-year. Revenue in China totaled US$192.5 billion, up 27.1% on-year. Revenue in Asia Pacific reached US$150.5 billion, up 25.9% on-year.

(ii) Overview of Taiwan's IC industry market

According to the research of ITRI (Institute of Industrial Science and Technology), Taiwan IC revenue in 2021 reached NT$4,082.0B (US$145.8B) (26.7% increase from 2020), with NT$1,214.7B in design (US$43.4B) (up 42.4%), NT$2,228.9B in manufacturing (US$79.6B) (22.4% increase, foundry NT$1,941.0B (US$69.3B), up 19.1%, memory and other manufacturing NT$287.9B (US$10.3B), up

51.0%), NT$435.4B in packaging (US$15.6B) (15.3% increase), and NT$203.0B in testing (US$7.3B) (up 18.4%). Exchange rate NTD/USD is 28.0.

(iii) DRAM market overview

DRAM demand continued to grow in 2021 amid the COVID-19 outbreak and chip shortage. According to TrendForce report, total DRAM revenue grew 41% in 2021. Driven by new application trends such as 5G, AI, and the Internet of Things, memory demand will continue to grow. 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.

2018-2022 Taiwan IC Revenue

Unit: In 100 million of NTD

NT$B	2018	18/17	2019	19/18	2020	20/19	2021	21/20	2022(e)	22(e)/21
Industry Revenue	2,619.9	6.4%	2,665.6	1.7%	3,222.2	20.9%	4,082.0	26.7%	4,806.2	17.7%
IC Design	641.3	3.9%	692.8	8.0%	852.9	23.1%	1,214.7	42.4%	1,384.8	14.0%
IC Manufacturing	1,485.6	8.6%	1,472.1	-0.9%	1,820.3	23.7%	2,228.9	22.4%	2,726.4	22.3%
Foundry	1,285.1	6.6%	1,312.5	6.6%	1,629.7	24.2%	1,941.0	19.1%	2,407.6	24.0%
€Memory & Other Manufacturing	200.5	23.7%	159.6	-20.4%	190.6	19.4%	287.9	51.0%	318.8	10.7%
IC Packaging	344.5	3.5%	346.3	0.5%	377.5	9.0%	435.4	15.3%	475.0	9.1%
IC Testing	148.5	3.1%	154.4	4.0%	171.5	11.1%	203.0	18.4%	220.0	8.4%
Product Revenue	841.8	8.0%	852.4	1.3%	1,043.5	22.4%	1,502.6	44.0%	1,703.6	13.4%
WW Revenue (US$B) Growth (%)	468.8	13.7%	412.3	-12.0%	440.4	6.8%	555.9	26.2%	604.6	8.8%

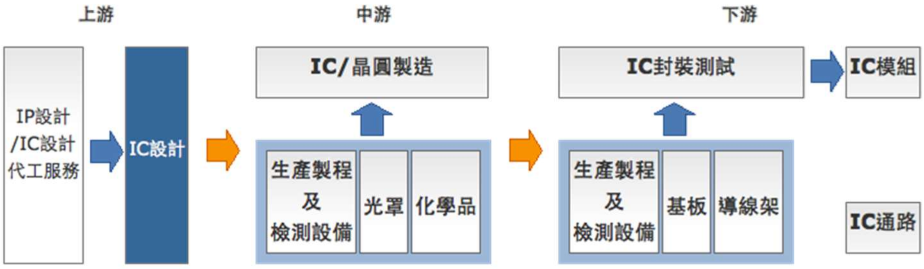
Source: TSIA; Industry, Science and Technology International Strategy Center, Industrial Technology Research. Institute (2022/02); (e) indicates an estimate.

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

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

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

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

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

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

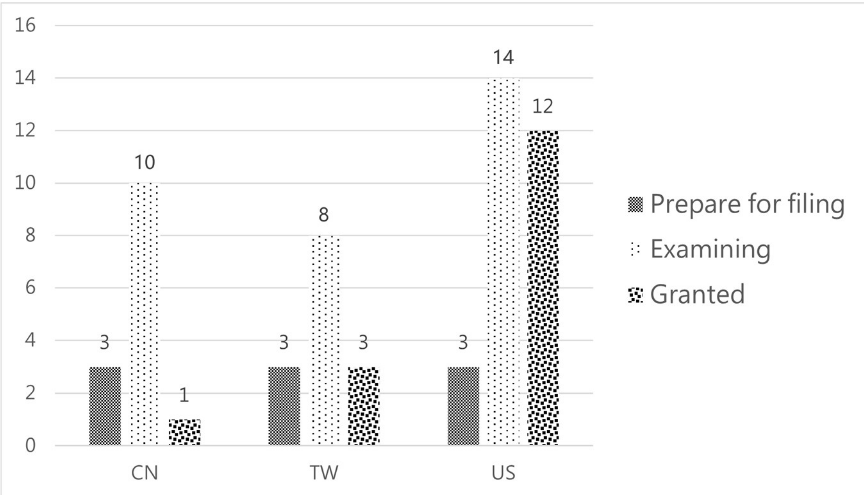
C. Technologies or products successfully developed in the most recent year and as the printing date of the annual report

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

D. Status of the Company's existing patents

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

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



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

A. Short-term business goals

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

B. Long-term operation direction

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

(ii) By utilizing the existing core memory technology and gradually developing high value-added related products to enhance the overall product competitiveness, AP Memory will become an irreplaceable brand.

(iii) Maintain a good relationship with existing wafer foundries and testing companies; seek cooperation from new OEM companies to expand OEM supply capacity.

(iv) Continue the partnership with world-class companies and seek to jointly develop specifications and collaborative development to maintain a long-term partnership.

(v) Promote cross-industry strategic alliances to accelerate the development of diversified IC product lines other than memory to increase the Company's overall competitive advantage.

(vi) Integrate management resources and provide timely decision-making information to respond to industry changes and maintain optimal competitiveness.

2. Market and production and sales overview

(1) Market analysis

A. Sales regions of main products

Unit: In thousands of NTD;%

Year / Region	2020		2021	
	Amount	Percentage	Amount	Percentage
China	2,191,933	62%	4,910,559	74%
Taiwan	705,344	20%	790,918	12%
Japan	93,417	3%	277,405	4%
Europe	75,231	2%	33,038	1%
America	1,083	—	6,631	—
Other	482,489	13%	598,664	9%
Total	3,549,497	100%	6,617,215	100%

B. Market shares

The Industrial Technology Research Institute (IEK) announces the total output value of Taiwan's IC design industry and it was NT1,214.7 billion in 2021. Based on the Company's consolidated net operating revenue in 2021, the Company's revenue accounts for 0.54% 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:

IC design → Mask production → Wafer fabrication → Wafer testing → Packaging → product testing → Packing and received

(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

	2020				2021				As of the first quarter-end of 2022			
	Name	Amount	As a % of the annual net purchase	Note	Name	Amount	As a % of the annual net purchase	Note	Name	Amount	As a % of the net purchase in the period	Note
1	CompanyA	1,473,711	99.99%	—	CompanyA	3,849,357	100.00%	—	Company A	683,340	100.00%	—
2	Other	126	0.01%	—	—	—	—	—	—	—	—	—
Net purchase		1,473,837	100.00%			3,849,357	100.00%			683,340	100.00%	

Note: Relationship with the Company

<u>Change analysis</u>:

The semiconductor industry experienced a phenomenal up cycle in 2021, and demand and prices increased. Therefore, under the strong terminal demand and stocking demand, the company's purchase amount increased significantly in 2021.

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

	2020				2021				As of the first quarter-end of 2022			
Item	Name	Amount	As a % of the annual net sales	Note	Name	Amount	As a %e of the annual net sales	Note	Name	Amount	As a % of the net sales in the period	Note
1	Customer A	855,620	24.11%	—	Customer B	1,297,500	19.61%	—	Customer D	255,562	16.55%	—
2	Customer C	383,139	10.79%	—	Customer A	753,367	11.38%	—	Customer E	171,995	11.13%	—
3	Other	2,310,738	65.10%	—	Other	4,566,348	69.01%	—	Other	1,117,173	72.32%	—
Net sales		3,549,497	100.00%			6,617,215	100.00%			1,544,730	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 in 2021, resulting in a significant increase in revenue. 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	2020			2021		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Memory IC chip	(Remark)	801,303	2,557,307	(Remark)	1,128,242	3,567,097
Total	(Remark)	801,303	2,557,307	(Remark)	1,128,242	3,567,097

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

Change analysis:

In 2021, the company's production volume and production value increased significantly due to the substantial increase in the application requirements of the IoT product line.

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

Unit: Thousand Pcs; In thousands of NTD

Year/ Sales volume and value / Main Products	2020				2021			
	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	107,017	560,274	652,261	2,629,922	92,304	550,296	1,010,063	5,768,648
Service revenue	—	104,441	—	120,731	—	43,646	—	95,920
License and Royalty revenue	—	19,843	—	56,760	—	55,895	—	98,200
Other revenue	2,956	20,786	11,325	36,740	1,139	859	9,673	3,751
Total	109,973	705,344	663,586	2,844,153	93,443	650,696	1,019,736	5,966,519

Change analysis:

The semiconductor industry experienced a phenomenal up cycle in 2021, with capacity shortage pushing up demand and prices across the board. The company's revenue increased significantly by 86%, especially with the demand of foreign customers as the main growth driver of the revenue, and export sales volume increased by 54%. In addition, due to the price increase and the change of sales mix, the export sales value became doubled.

3.Number of employees in the last two years

Unit: Number of persons; years; %

Year		2020	2021	March 31, 2022
Number of employees	Direct (Note)	—	—	—
	Indirect	129	166	164
	Total	129	166	164
Average age		37.7	37.7	37.7
Average service years (years)		3.47	3.47	3.2
Educational distribution ratio (%)	Ph.D.	4.65	3.62	3.66
	Master's	48.06	51.20	51.22
	University/College	47.29	45.18	45.12
	High school	—	—	—
	Below high school	—	—	—

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

4.Information on environmental protection expenses

(1) In accordance with the provisions of the law, for those who are required to apply for a pollution facility installation permit or a pollution discharge permit, or those who are required to pay pollution prevention and control fees, or those who are required to establish a special unit for environmental protection, the application, payment or establishment is explained as follows:
The Company is in the IC design industry, and the production of all products is outsourced. Thus, it is not applicable.

(2) The Company's investments in major equipment for environmental pollution prevention and control, their uses and potential benefits: Not applicable.

(3) For the last two years and as of the printing date of the annual report, the Company's process of improving environmental pollution, and if there is a pollution dispute, the Company' process of handling it: Not applicable.

(4) For the last two years and as of the printing date of the annual report, the losses (including compensation and violations of environmental protection laws and regulations as a result of environmental protection audits) the Company has suffered due to environmental pollution, the estimated amount of current and potential future losses and penalties, as well as its future response measures (including improvement measures) and potential expenses (including the estimated amount of losses, penalties and compensation that may occur if no response measures are taken, and if it cannot be reasonably estimated, the fact that it cannot be reasonably estimated): Not applicable.

(5) The current pollution status, the impact of its improvement on the Company's earnings, competitive position and capital expenditures, and its projected material capital expenditures for environmental protection in the next two years: Not applicable.

5. Labor-management relationship

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

A. Various employee benefits, education and training programs

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

B. Retirement system and implementation

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

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

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

(2) In the last two years and as of the printing date of the annual report, losses suffered as a result of labor disputes, the estimated amount aroused at present and may arise in the future, and response measures should be disclosed. If it is impossible to be reasonably estimated, the facts for it cannot be reasonably estimated should be explained.

The Company has always attached importance to harmonious labor relations and therefore has not suffered any significant losses due to labor disputes in the last two years and up to the printing date of the annual report.

6.Material contracts

Nature of Contract	Contracting Parties	Term	Summary	Restrictions
Supply and Sales of Products	Customer H	2021/1/1～2022/12/31	The terms of the sales of APM products.	None
Risk Production	Customer V	Effective from 2021/1/30	Risk-run production of customized products.	None
Technical Service	Customer W	Effective from 2021/2/24	Design service of customized products.	APM Shall not provide the same service under the same spec within 6 months from the completion of the service.
Comprehensive Credit	Mega International Commercial Bank Co., Ltd.	2021/3/7～2022/3/6	Operation and financial loans in general.	None
Purchase of Equipment	Easy Yang Corp.	Effective from 2021/3/10	Purchase terms of 10 testers.	None
Test and Assembly	Sigurd Microelectronics Corp.	2021/6/1～2024/5/31	Reservation of capacity of testing and assembly service.	None
Leasing	Chen,Chong-Ren Jin Nan Chang Construction Ltd.	2021/7/1～2024/6/30	Office Leasing	None
Leasing	Tai Yuen Textile Co., Ltd.	2021/11/16～2023/11/15	Office Leasing	None
Test and Assembly	Supplier C	Effective from 2021/11/1	Terms of testing, assembly and scrap of wafers service.	None
Reservation of Capacity	Supplier P	2021/10/1～2023/12/31	Reservation of wafers production capacity.	None
Joint Development	Customer O	Effective from 2021/10/15	Joint development and technology licensing for customized products.	None

VI Financial overview

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

(1) Summary balance sheet

A. Consolidated summary balance sheet

Unit: In thousands of NTD

Item \ Year		Financial information for the last five years					Financial information for the current year as of March 31, 2022
		2017	2018	2019	2020	2021	
Current assets		2,760,999	3,358,881	2,428,115	3,310,027	5,124,533	11,004,790
Property, plant and equipment		68,341	42,788	14,854	8,009	81,399	85,130
Intangible assets		178,706	199,070	183,913	35,103	16,978	15,157
Other assets		235,707	266,210	550,143	630,261	1,055,733	1,026,412
Total assets		3,243,753	3,866,949	3,177,025	3,983,400	6,278,643	12,131,489
Current liabilities	Pre-distribution	646,170	1,226,193	807,128	855,107	1,399,840	2,502,905
	Post-distribution	752,975	1,263,732	880,810	1,225,480	2,368,115 (Remark)	-
Non-current liabilities		241	2,285	207,340	25,323	83,848	81,879
Total liabilities	Pre-distribution	646,411	1,228,478	1,014,468	880,430	1,483,688	2,584,784
	Post-distribution	753,216	1,266,017	1,088,150	1,250,803	2,451,963 (Remark)	-
Total equity attributable to owners of parent company		2,597,342	2,638,471	2,162,557	3,102,970	4,794,955	9,546,705
Share capital		709,293	752,805	738,535	742,848	746,997	807,096
Capital reserve		826,272	851,282	838,388	1,020,722	1,054,788	6,146,315
Retained earnings	Pre-distribution	1,085,893	1,058,957	602,576	1,340,604	2,995,688	2,578,742
	Post-distribution	943,486	1,021,418	528,894	970,231	2,027,413 (Remark)	-
Other equity		(24,116)	(13,327)	(5,696)	10,042	8,728	14,552
Treasury shares		-	(11,246)	(11,246)	(11,246)	(11,246)	-
Non-controlling interests		-	-	-	-	-	-
Total equity	Pre-distribution	2,597,342	2,638,471	2,162,557	3,102,970	4,794,955	9,546,705
	Post-distribution	2,490,537	2,600,932	2,088,875	2,732,597	3,826,680 (Remark)	-

Remark: The Company's 2021 earnings distribution has been approved by the Board of Directors but has yet to be reported to the 2022 Regular Meeting of Shareholders.

B. Parent company only summary balance sheet

Unit: In thousands of NTD

Item / Year		Financial information for the last five years				
		2017	2018	2019	2020	2021
Current assets		1,717,504	2,644,123	1,918,633	2,207,230	4,899,154
Investments accounted for using equity method		985,450	1,095,872	739,136	1,103,817	329,481
Property, plant and equipment		49,978	32,769	9,816	5,723	80,347
Intangible assets		497	32,452	28,858	13,973	6,098
Other assets		146,715	177,096	437,700	520,609	935,459
Total assets		2,900,144	3,982,312	3,134,143	3,851,352	6,250,539
Current liabilities	Pre-distribution	302,561	1,341,913	769,094	723,463	1,371,736
	Post-distribution	409,366	1,379,452	842,776	1,093,836	2,340,011 (Remark)
Non-current liabilities		241	1,928	202,492	24,919	83,848
Total liabilities	Pre-distribution	302,802	1,343,841	971,586	748,382	1,455,584
	Post-distribution	409,607	1,381,380	1,045,268	1,118,755	2,423,859 (Remark)
Total equity attributable to owners of parent company		2,597,342	2,638,471	2,162,557	3,102,970	4,794,955
Share capital		709,293	752,805	738,535	742,848	746,997
Capital reserve		826,272	851,282	838,388	1,020,722	1,054,788
Retained earnings	Pre-distribution	1,085,893	1,058,957	602,576	1,340,604	2,995,688
	Post-distribution	943,486	1,021,418	528,894	970,231	2,027,413 (Remark)
Other equity		(24,116)	(13,327)	(5,696)	10,042	8,728
Treasury shares		-	(11,246)	(11,246)	(11,246)	(11,246)
Non-controlling interests		-	-	-	-	-
Total equity	Pre-distribution	2,597,342	2,638,471	2,162,557	3,851,352	4,794,955
	Post-distribution	2,490,537	2,600,932	2,088,875	3,480,979	3,826,680 (Remark)

Remark: The Company's 2021 earnings distribution has been approved by the Board of Directors but has yet to be reported to the 2022 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, 2022
	2017	2018	2019	2020	2021	
Operating revenue	4,236,815	4,723,851	3,416,669	3,549,497	6,617,215	1,544,730
Operating gross profit	1,039,016	697,340	480,641	1,025,671	3,025,608	721,263
Operating profit and loss	432,509	89,876	(7,343)	519,746	2,370,157	534,960
Non-operating revenue and expenses	(114,708)	54,512	(347,014)	420,609	144,109	217,598
Net income (loss) before tax	317,801	144,388	(354,357)	940,355	2,514,266	752,558
Continuing operations' current income (loss) before tax	236,389	115,471	(322,973)	815,370	2,025,457	557,002
Loss from discontinued operation	-	-	(72,092)	5,613	-	-
Net income (loss) for current period	236,389	115,471	(395,065)	820,983	2,025,457	557,002
Other comprehensive income(loss) for the current period	(3,782)	2,369	(1,351)	11,060	(1,314)	5,824
Current total comprehensive income (loss)	232,607	117,840	(396,416)	832,043	2,024,143	562,826
Net income (loss) attributed to stockholders of the parent company	251,315	115,471	(395,065)	811,710	2,025,457	557,002
Net income (loss) attributed to non-controlling interests	(14,926)	-	-	9,273	-	-
Comprehensive income (loss) attributed to stockholders of the parent company	247,940	117,840	(396,416)	822,735	2,024,143	562,826
Comprehensive income (loss) attributed to non-controlling interests	(15,333)	-	-	9,308	-	-
Earnings (loss) per share (Remark)	1.71	0.78	(2.67)	5.50	13.67	3.53

Remark: It is after retrospective application.

B. Parent company only summary comprehensive income statement

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

Item \ Year	Financial information for the last five years				
	2017	2018	2019	2020	2021
Operating revenue	2,389,844	2,529,386	3,294,736	3,535,263	6,461,280
Operating gross profit	776,641	422,147	294,485	985,579	2,867,926
Operating profit and loss	428,751	(25,876)	(125,119)	534,198	2,321,676
Non-operating revenue and expenses	(96,885)	156,478	(300,973)	341,169	191,444
Net income (loss) before tax	331,866	130,602	(426,092)	875,367	2,513,120
Continuing operations' current income (loss) before tax	251,315	115,471	(395,065)	811,710	2,025,457
Loss from discontinued operation	-	-	-	-	-
Net income (loss) for current period	251,315	115,471	(395,065)	811,710	2,025,457
Other comprehensive income (loss) for the current period	(3,375)	2,369	(1,351)	11,025	(1,314)
Current total comprehensive income (loss)	247,940	117,840	(396,416)	822,735	2,024,143
Net income (loss) attributed to stockholders of the parent company	251,315	115,471	(395,065)	811,710	2,025,457
Net income (loss) attributed to non-controlling interests	-	-	-	-	-
Comprehensive income (loss) attributed to stockholders of the parent company	247,940	117,840	(396,416)	822,735	2,024,143
Comprehensive income (loss) attributed to non-controlling interests	-	-	-	-	-
Earnings (loss) per share (Remark)	1.71	0.78	(2.67)	5.50	13.67

Remark: It is after retrospective application.

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

Year	Accounting firm	CPAs	Audit opinions
2017	Deloitte & Touche, Taiwan	Wei, Liang-Fa & Chiu, Zheng-Jun	Standard unqualified opinions
2018	Deloitte & Touche, Taiwan	Wei, Liang-Fa & Chiu, Zheng-Jun	Standard unqualified opinions
2019	Deloitte & Touche, Taiwan	Chiu, Zheng-Jun & Wu, Shi-Zong	Standard unqualified opinions
2020	Deloitte & Touche, Taiwan	Chiu, Zheng-Jun & Wu, Shi-Zong	Standard unqualified opinions
2021	Deloitte & Touche, Taiwan	Chien, Ming Yen & Chiu, Zheng-Jun	Standard unqualified opinions

2. Financial analysis in the last five years

(1) Consolidated financial analysis

Item		Financial information for the last five years: 2017	2018	2019	2020	2021	Financial information for the current year as of March 31, 2022
Financial structure	Debt ratio (%)	19.93	31.77	31.93	22.10	23.63	21.31
	Long-term capital ratio (%)	3,800.91	6,171.72	15,954.60	39,059.72	5,993.69	11,310.45
Solvency ratios	Current ratio (%)	427.29	273.93	300.83	387.09	366.08	439.68
	Quick ratio (%)	267.63	108.88	157.13	313.06	243.81	369.10
	Times interest earned	10,221	7,562	(7,806)	33,648	128,971	193,064
Operating performance	Accounts receivable turnover (times)	4.98	6.93	5.05	5.97	9.08	7.47
	Days' sales in accounts receivable	74	53	73	62	41	49
	Inventory turnover	3.40	2.47	1.67	2.36	2.76	1.79
	Accounts payable turnover ratio	7.72	7.89	6.23	9.27	8.58	6.93
	Days' sales in inventory	108	148	220	155	133	204
	Fixed asset turnover ratio (times)	56.93	85.02	118.55	310.50	148.02	74.21
	Total assets turnover ratio (times)	1.19	1.33	0.97	0.99	1.29	0.67
Profitability	Return on total assets (%)	6.73	3.29	(11.12)	22.99	39.51	24.22
	Return on equity attributed to the owners of the parent company (%)	9.77	4.41	(16.46)	30.83	51.29	31.07
	Profit before tax to capital stock (%)	44.81	19.18	(47.98)	126.68	337.88	372.97
	Net profit margin (%)	5.58	2.44	(11.56)	23.13	30.61	36.06
	Earnings per share (NTD) (Remark)	1.71	0.78	(2.67)	5.50	13.67	3.53
Cash flow	Cash flow ratio (%)	70.57	-	38.10	-	172.23	9.69
	Cash flow adequacy ratio (%)	88.37	48.42	43.95	41.18	96.99	102.08
	Cash flow reinvestment ratio (%)	11.87	-	10.86	-	41.01	2.49
Leverage	Operating leverage	2.03	6.30	-	1.77	1.25	1.31
	Financial leverage	1.01	1.02	0.62	1.01	1.00	1.00

Remark: It is after retrospective application.

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

1. The long-term capital ratio decreased by 85%: The semiconductor industry experienced a phenomenal up cycle in 2021, with capacity shortage pushing up demand and prices across the board. The company purchased equipment to support the demand, resulting in long-term capital ratio decreased by 85%.
2. The quick ratio decreased by 22%: In response to the increased demand in 2021, the company continuously built safety stocks, resulting in a substantial increase in accounts payable at the end of the year and decrease in the quick ratio.
3. The times interest earned increased by 283%: The semiconductor industry experienced a phenomenal up cycle in 2021, with capacity shortage pushing up demand and prices across the board. The company's financial performance grew significantly in 2021, and the times interest earned increased significantly.
4. Accounts receivable turnover increased by 52% and Days' sales in receivables decreased by 34%: The semiconductor industry experienced a phenomenal up cycle in 2021. The company's net sales increased significantly, and the A/R collection status was good. So accounts receivable turnover increased and days' sales in receivables decreased.
5. The fixed asset turnover ratio decreased by 52%: The company purchased equipment to support the demand in 2021, so the net fixed assets increased significantly.
6. The total assets turnover ratio increased by 30%: The semiconductor industry experienced a phenomenal up cycle in 2021, with capacity shortage pushing up demand and prices across the board. And the company's net sales increased significantly, resulting in increase in the total assets turnover ratio.
7. The return on total assets increased by 72%, return on equity increased by 64%, profit before tax to capital stock increased by 167%, net profit margin increased by 32%, and earnings per share increased by 148%: The

semiconductor industry experienced a phenomenal up cycle in 2021. The company's financial performance grew significantly in 2021, so relevant profitability ratios increased significantly. 8. Cash flow ratio increased: Because of the increased demand in 2021, the company's profits increased significantly. And the amount of net cash inflow from operation increased significantly, resulting in a substantial increase in the cash flow ratio, cash flow adequacy ratio and cash flow reinvestment ratio. 9. The operating leverage decreased: Because of the increase in variable operating costs and expenses, the operating leverage decreased by 29%.
Reasons for changes in financial ratios of up to 20% from the most recent period to the most recent year: 1. The long-term capital ratio increased by 89%: The company issued new shares for global depositary receipts(GDR) in 2022Q1. And total shareholders' equity increased significantly, resulting in increase of the long-term capital ratio. 2. The current ratio increased by 20%, quick ratio increased by 51%, and the times interest earned increased by 50%: Because of the new shares issuance for GDR, the company's cash increased significantly. And the company's debt solvency is quite good. 3. The inventory turnover decreased by 35% and days' sales in inventory increased by 53%: The company continuously built safety stocks in 2021, and the inventory remained high level at the end of the first quarter of 2022, resulting in lower turnover and the day's sales in inventory increased to 204 days. 4. The fixed asset turnover ratio decreased by 50%: The company purchased equipment to meet the production capacity demand. So the net fixed assets increased, and turnover ratio decreased. 5. The total assets turnover ratio decreased by 48%: The company issued new shares for GDR in 2022Q1. And total assets increased significantly, resulting in decrease of the total assets turnover ratio. 6. The return on total assets decreased by 39%, and the return on equity decreased by 39%: The company issued new shares for GDR in 2022Q1. Total assets and equity increased significantly, resulting in decrease of the return on total assets and equity. 7. Cash flow ratio and cash flow reinvestment ratio decreased: Because of the delayed collection of other receivables, the company's net cash inflow from operation decreased.

(2) Parent company only financial analysis

Item		Financial information for the last five years: 2017	2018	2019	2020	2021
Financial structure	Debt ratio (%)	10.44	33.75	31	19.43	23.29
	Long term funds to fixed assets ratio (%)	5,197.45	8,057.61	24,093.82	54,654.71	6,072.17
Solvency ratios	Current ratio (%)	567.66	197.04	249.47	305.09	357.15
	Quick ratio (%)	402.33	72.73	121.28	218.64	233.01
	Times interest earned	62,953	139,038	(11,995)	50,787	139,254
Operating performance	Accounts receivable turnover (times)	3.40	5.72	6.12	5.10	8.02
	Days' sales in accounts receivable	108	64	60	72	46
	Inventory turnover	3.55	1.79	2.04	2.60	2.76
	Accounts payable turnover ratio (times)	7.39	3.99	4.55	7.99	8.68
	Days' sales in inventory	103	203	179	140	132
	fixed asset turnover ratio (times)	91.48	61.14	154.74	455.02	150.14
	Total assets turnover ratio (times)	0.81	0.74	0.93	1.01	1.28
Profitability	Return on total assets (%)	8.53	3.36	(11.02)	23.28	40.13
	Return on equity (%)	9.77	4.41	(16.46)	30.83	51.29
	Profit before tax to capital stock (%)	46.79	17.35	(57.69)	117.92	337.72
	Net profit margin (%)	10.52	4.57	(11.99)	22.96	31.35
	Earnings per share (NTD) (Remark)	1.71	0.78	(2.67)	5.50	13.67
Cash flow	Cash flow ratio (%)	199.56	-	-	10.89	130.04
	Cash flow adequacy ratio (%)	91.21	49.21	34.71	34.07	74.44
	Cash flow reinvestment ratio (%)	17.66	-	-	0.16	28.43
Leverage	Operating leverage	1.48	-	-	1.51	1.20
	Financial leverage	1.00	1.00	0.97	1.00	1.00

Remark: It is after retrospective application.

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

1. The long-term capital ratio decreased by 89%: The semiconductor industry experienced a phenomenal up cycle in 2021, with capacity shortage pushing up demand and prices across the board. The company purchased equipment to support the demand, resulting in long-term capital ratio decreased by 89%.
2. The times interest earned increased by 174%: The semiconductor industry experienced a phenomenal up cycle in 2021, with capacity shortage pushing up demand and prices across the board. The company's financial performance grew significantly in 2021, and the times interest earned increased significantly.
3. Accounts receivable turnover increased by 57% and Days' sales in receivables decreased by 36%: The semiconductor industry experienced a phenomenal up cycle in 2021. The company's net sales increased significantly, and the A/R collection status was good. So accounts receivable turnover increased and days' sales in receivables decreased.
4. The fixed asset turnover ratio decreased by 67%: The company purchased equipment to support the demand in 2021, so the net fixed assets increased significantly.
5. The total assets turnover ratio increased by 26%: The semiconductor industry experienced a phenomenal up cycle in 2021, with capacity shortage pushing up demand and prices across the board. And the company's net sales increased significantly, resulting in increase in the total assets turnover ratio.
6. The return on total assets increased by 72%, return on equity increased by 66%, profit before tax to capital stock increased by 186%, net profit margin increased by 37%, and earnings per share increased by 148%: The semiconductor industry experienced a phenomenal up cycle in 2021. The company's financial performance grew significantly in 2021, so relevant profitability ratios increased significantly.
7. Cash flow ratio increased: Because of the increased demand in 2021, the company's profits increased significantly. And the amount of net cash inflow from operation increased significantly, resulting in a substantial increase in the cash flow ratio, cash flow adequacy ratio and cash flow reinvestment ratio.
8. The operating leverage decreased by 21%: Because of the increase in variable operating costs and expenses, the operating leverage decreased by 21%.

The above financial ratios are calculated as follows:

1. Financial structure
   (1) Debt ratio＝Total liabilities／total assets.
   (2) Long term funds to fixed assets ratio＝(Total equity＋long-term borrowings)／net fixed assets.
2. Solvency ratios
   (1) Current ratio＝Current assets／current liabilities
   (2) Quick ratio＝(Current assets－inventories－prepaid expenses)／current liabilities.
   (3) Times interest earned＝Net income before tax and interest expense／current interest expense.
3. Operating performance
   (1) Accounts receivable turnover (Including accounts receivable and notes receivable arising from operations)＝ Net sales／average balance of accounts receivable (Including accounts receivable and notes receivable arising from operations).
   (2) Days' sales in accounts receivable＝365／accounts receivable turnover
   (3) Inventory turnover＝Cost of goods sold／average inventory
   (4) Accounts payable turnover ratio (Including accounts payable and notes payable arising from operations)＝ Cost of goods sold／average balance of accounts payable (Including accounts payable and notes payable arising from operations)
   (5) Days' sales in inventory＝365／average inventory turnover
   (6) Fixed asset turnover ratio＝Net sales／net property plant and equipment
   (7) Total assets turnover ratio＝Net sales／total assets
4. Profitability
   (1) Return on total assets＝〔Profit and loss after tax＋interest expenses ×(1－tax rate)〕／ average total assets
   (2) Return on equity＝Profit and loss after tax／average net equity
   (3) Net profit margin＝Profit and loss after tax／net sales
   (4) Earnings per share＝(Net income after tax－preferred share dividends)／weighted average number of issued shares
5. Cash flow
   (1) Cash flow ratio＝Net cash flow from operating activities / current liabilities
   (2) Cash flow adequacy ratio＝Net cash flow from operating activities in the last five years／ (capital expenditures＋increase in inventories＋cash dividends in the last five years)
   (3) Cash flow reinvestment ratio＝ (Net cash flow from operating activities－cash dividends)／(gross property, plant, and equipment＋long-term investment＋other non-current assets＋working capital)
6. Leverage
   (1) Operating leverage＝(Net operating revenue－variable operating costs and expenses) ／ operating income
   (2) Financial leverage＝Operating income ／ (operating income－interest expenses)

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

Audit Committee’s Audit Report

To: 2022 Shareholders’ Meeting of AP Memory Technology Corporation

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

Convener of Audit Committee: Yeh, Jui-Pin

February 25, 2022

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

Please refer to pages 90 to 165.

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

Please refer to pages 166 to 243.

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

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

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

1. Financial status

Unit: In thousands of NTD；%

Item \ Year	2020	2021	Difference	
			Amount	%
Current assets	3,310,027	5,124,533	1,814,506	55
Property, plant and equipment	8,009	81,399	73,390	916
Intangible assets	35,103	16,978	(18,125)	(52)
Other assets	630,261	1,055,733	425,472	68
Total assets	3,983,400	6,278,643	2,295,243	58
Current liabilities	855,107	1,399,840	544,733	64
Non-current liabilities	25,323	83,848	58,525	231
Total liabilities	880,430	1,483,688	603,258	69
Share capital	742,848	746,997	4,149	1
Capital reserve	1,020,722	1,054,788	34,066	3
Retained earnings	1,340,604	2,995,688	1,655,084	123
Other equity	10,042	8,728	(1,314)	(13)
Treasury shares	(11,246)	(11,246)	-	-
Total shareholders' equity	3,102,970	4,794,955	1,691,985	55

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: Because of the grown financial performance in 2021 and A/R collection.

(2) Increase in property, plant and equipment: The company purchased equipment to support the demand in 2021, so the property, plant and equipment increased.

(3) Decrease in intangible assets: Because of amortization of intangible assets.

(4) Increase in other assets: Because refundable deposits increased in 2021.

(5) Increase in current liabilities and total liabilities: Because account payable increased in 2021.

(6) Increase in non-current liabilities: Because lease liabilities and guarantee deposits received increased in 2021.

(7) Increase in retained earnings and total shareholders' equity: Because financial performance grew significantly in 2021.

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	2020	2021	Increase (decrease)	Change ratio (%)
Net operating revenue	3,549,497	6,617,215	3,067,718	86
Operating costs	2,523,826	3,591,607	1,067,781	42
Gross profit	1,025,671	3,025,608	1,999,937	195
Operating expenses	505,925	655,451	149,526	30
Net operating profit	519,746	2,370,157	1,850,411	356
Non-operating revenue and expenses	420,609	144,109	(276,500)	(66)
Income from continuing operation before income tax	940,355	2,514,266	1,573,911	167
Income tax expenses	124,985	488,809	363,824	291
Net income from continuing operation	815,370	2,025,457	1,210,087	148
Income from discontinued operation	5,613	-	(5,613)	(100)
Net income from the current period	820,983	2,025,457	1,204,474	147
Other comprehensive income	11,060	(1,314)	(12,374)	(112)
Total comprehensive income	832,043	2,024,143	1,192,100	143

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

(1) Net operating revenue, gross profit, net operating profit, income from continuing operation before income tax, net income from continuing operation, net income from the current period, and total comprehensive income: The semiconductor industry experienced a phenomenal up cycle in 2021, with capacity shortage pushing up demand and prices across the board. So the company's financial performance grew significantly in 2021, relevant profitability number increased significantly.

(2) Increased in operating costs and operating expenses: Operating costs were linked with revenue, so increased with revenue. And because of increased recognition of bonus in 2021, operating expenses increased in 2021.

(3) Decreased in non-operating revenue and expenses: In 2020, the company recognized the gain on disposal of a sub-subsidiary.

(4) Increase in income tax expenses: The company's financial performance grew significantly in 2021, so income tax expenses increased.

(5) Decrease 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 negative.

(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	2020	2021	Increase (decrease)
Operating activities	(181,656)	2,410,925	2,592,581
Investing activities	358,823	(44,509)	(403,332)
Financing activities	(97,456)	(511,128)	(413,672)
Impact of exchange rate changes	(1,008)	(808)	200
Net cash inflow	78,703	1,854,480	1,775,777

Analysis of changes in cash flows:

(1) The increase in the inflow from operating activities was mainly due to the grown financial performance in 2021 and A/R collection.

(2) The increase in the outflow from investing activities was mainly due to the net cash outflow from purchasing equipment to support the demand in 2021.

(3) The increase in outflow from financing activities was mainly due to the cash outflow from dividend payments in 2021.

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

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

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

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

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

(1) Investment policy

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

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

Unit: In thousands of NTD

Invested company	Recognized profit (loss) for 2021	Main reasons	Improvement plan
AP Memory Corp, USA	(10,806)	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.

Invested company	Recognized profit (loss) for 2021	Main reasons	Improvement plan
AP Memory Technology (Hangzhou) Co. Limited	77,581	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.	Will strengthen the management concept of the local team and establish the system.
AP Memory Technology (Hong Kong) Co. Limited	5,152	In order to meet the future operation deployment plan, AP Memory Technology (Hangzhou) Co. Limited established a subsidiary, AP Memory Technology (Hong Kong) Co. Limited, in Hong Kong in October, 2019.	Continue to explore the Chinese market for development opportunities, gradually increasing local market penetration.
Zentel Electronics Corporation	5,631	In the second half of 2020, the said company's standard product business has been gradually reduced to almost no new business. The main profit is derived from the gain on the disposal of the subsidiary, Zentel Japan Corp.	Scale down operations to avoid over-dispersion of resources.
APware Technology Corp.	-	In order to meet the future operation deployment plan, the corporation established a subsidiary, APware Technology Corp., in Cayman in October, 2021.	The company has not started the operation.

(3) Investment plan for the coming year

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

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

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

A. Changes in interest rate

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

The Company's daily operating turnover is mainly using its own funds. The interest expenses amounted to NT$2,803 thousand and NT$1,951 thousand in 2020 and 2021, which accounted for 0.08% and 0.03% of net operating revenues, respectively, which had minimal impacts on the Company's profit and loss. The interest revenue is generated from idle funds, based on the interest rate of bank deposits. In 2020 and 2021, the interest revenue amounted to NT$6,348 thousand and NT$4,957 thousand, representing 0.18% and 0.08% 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$61,870 thousand and NT$15,383 thousand in 2020 and 2021, respectively, which accounted for 1.74% and 0.23% of the Company's net operating revenues.

(ii) Specific response measures

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

C. Inflation

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

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

(ii) Specific response measures

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

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

The Company has always operated its business based on the principle of focusing on its primary business and being pragmatic. The Company's financial policy is set based on the principle of being prudent and conservative, and it does not engage in high-risk and high-leverage investment business. The Company has established the "Operational Procedures for Loaning Funds to Others," "Operational Procedures for Making of Endorsements/Guarantees" and "Procedures for Regulations Governing the Acquisition and Disposal of Assets" as the basis for the Company's compliance with these procedures. As of the printing date of the annual report, the Company has not entered into any high-risk, highly leveraged investments, loans to others, endorsements and guarantees for others, or derivative transactions, except for inter-group capital movement and accounts receivable from Zentel Japan Corp. that are assessed as loans of funds in nature in accordance with the criteria of the relevant Q&As.

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

A. Future R&D plan

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

(i) Virtual Static Random Access Memory (VSAR) related IC products that can be extended to be applied to wearable devices.

(ii) Virtual Static Random Access Memory (VSAR) related IC products that can be extended to be applied to the Internet of Things.

(iii) Develop mobile memory-related integrated circuit products that can be applied to mobile devices.

(iv) Ultra-high bandwidth customized memory applicable for artificial intelligence (AI) and Blockchain.

B. Estimated R & D expenses

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

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

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

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

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

(6) Impacts of changes in corporate image on the corporate risk management, and the

response measure.

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

(7) Expected benefits and possible risk of engaging in merger and acquisition, and the response measure: Not applicable.

(8) Expected benefits and possible risk of factory expansion, and the response measure: The Company is an IC design company and does not have the need to expand its factory yet, so it is not applicable.

(9) Risks of purchase or sales concentration and response measures

A. Purchase

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

Response measures:

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

B. Sales

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

Response measures:

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

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

measure:

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

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

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

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

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

In July 2017, the first t instance court ruled that Zentel Electronics is liable, jointly and severally with the other defendants for the payment of NT$99,822 thousand approximately plus interest to the plaintiff, and bearing one-half of the plaintiff's litigation costs. On July 27, 2017, Zentel Electronics obtained a letter of undertaking from the product's manufacturer, assuring to pay the aforementioned compensation amount and the related statutory penalty interest amounting to NT$115,185 thousand and waive its right to claim against Zentel Electronics. In addition, the said manufacturer provided a negotiable certificate of deposit in the amount same as the amount awarded by the court's judgment as a guarantee to the court, preventing the plaintiff from filing a petition for provisional execution before the judgment is finalized.

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

The plaintiff therefore appealed to the plaintiff and the verdict is a final judgment with binding effect. That is, Zentel Electronics and other defendants are not required to pay damages and may continue to produce and sell related products..

(13) Other important risks and response measures:

Information security risk assessment:

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

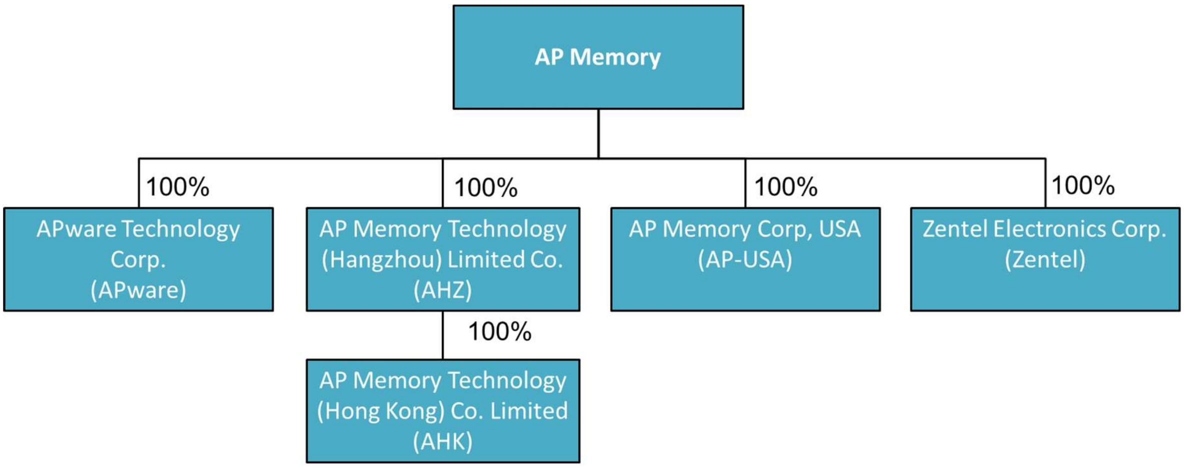
7. Other important matters: None.

VIII Special notes

1. Information about affiliated enterprises

(1) Consolidated business report of affiliated enterprises

A. Organization chart of affiliated enterprises



B. Information on affiliated enterprises

December 31, 2021; Unit: In thousands of NTD, USD

Company's name	Establishment date	Address	Paid-up capital	Main business or production items
AP-USA	2012.02	Suite 251, BG Plaza, 3800 S.W. Cedar Hills Blvd, Beaverton OR.97005, USA	US$ 2,000	Research and development services for integrated circuits
AHZ	2018.06	Room 2007 and 2008, 20th Floor, Building 1, No.1782, Jiangling Road, Xixing Street, Binjiang District, Hangzhou City, Zhejiang Province	US$ 2,000	Design, development and sales of integrated circuits
AHK	2019.10	Rm.19C,Lockhart Ctr.,301-307 Lockhart Rd., Wan Chai, Hong Kong.	US$ 10	Sales of integrated circuits
Zentel	2002.12	10F.-1, No. 1, Taiyuan 1st St., Zhubei City, Hsinchu County, Taiwan (R.O.C.)	NT$ 1,000	Development, research and sales of integrated circuits
APware	2021.10	Suite 102, Cannon Place, North Sound Rd., George Town, Grand Cayman, Cayman Islands	-	Design, development and sales of integrated circuits

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, 2021; 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)	—	—
AHZ	Director	Hung, Chih-Hsun (Remark)	—	—
	Supervisor	Chen, Wen-Liang (Remark)	—	—
	President	Fan, Yu-Chuan	—	—
Zentel	Director	Lin, Yu-Hsin (Remark)	—	—
AHK	Director	Hung, Chih-Hsun (Remark)	—	—
APware	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, 2021 / Fiscal year of 2021

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	45,410	11,555	33,855	60,939	(10,877)	(10,806)	-
AHZ	US$ 2,000	173,375	40,656	132,719	377,829	47,992	77,581	-
Zentel	1,000	76,919	1,135	75,784	-	6,216	5,631	56.31
AHK	US$ 10	108,212	102,835	5,377	1,526,566	5,151	5,152	-
APware	-	-	-	-	-	-	-	-

(2) Consolidated financial statements of affiliated enterprises: Please refer to page 90.

(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, 2021 are all the same as the companies required to be included in the consolidated financial statements of a parent and its subsidiaries under International Financial Reporting Standard 10 "Consolidated Financial Statements." Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of a parent and its subsidiaries. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Company: AP Memory Technology Corporation
Person in charge: Chen, Wen-liang
Date: February 25, 2022

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, 2021 and 2020, and the consolidated statements of comprenehsive 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, 2021 and 2020, 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 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Group's consolidated financial statements for the year ended 2021 are described as follows:

Sales Revenue from Specific Customers

The sales revenue of AP Memory Technology Corporation and Subsidiaries was $6,318,944 thousand in 2021. The revenue from sales to some customers, which increased significantly comparing with the previous year, counts for a large portion of the total sales revenue and is therefore determined as one of the key audit matters.

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

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

Other Matters

We have also audited the parent company only financial statements of AP Memory Technology Corporation as of and for the year ended 2021 and 2020 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 2021 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.
The engagement partners on the audit resulting in this independent auditors' review report are Ming-Yen Chien and Cheng-Chun Chiu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 25, 2022

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.
For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.

AP Memory Technology Corporation and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020	
Assets	Amount	%	Amount	%
Current assets				
Cash and cash equivalents (Notes 4 and 6)	$ 2,517,447	40	$ 662,967	17
Financial assets at fair value through profit or loss - Current (Notes 4, 7 and 30)	-	-	930,536	23
Financial assets at amortized cost - Current (Notes 4, 8 and 32)	2,763	-	60,215	1
Accounts receivable (Notes 4, 9, 22 and 31)	854,080	14	600,601	15
Other receivables (Notes 4 and 9)	38,106	1	401,777	10
Current tax assets (Note 4)	-	-	20,453	1
Inventories (Notes 4 and 10)	1,696,621	27	625,055	16
Other current assets (Note 17)	15,516	-	8,423	-
Total current assets	5,124,533	82	3,310,027	83
Non-current assets				
Financial assets at fair value through profit or loss - Non-current (Notes 4, 5, 7 and 30)	141,989	2	68,016	2
Financial assets at amortized cost - Non-current (Notes 4 and 8)	5,789	-	5,865	-
Investments accounted for using equity method (Notes 4 and 13)	87,123	1	79,905	2
Property, plant and equipment (Notes 4 and 14)	81,399	1	8,009	-
Right-of-use assets (Notes 4 and 15)	98,908	2	46,096	1
Other intangible assets (Notes 4 and 16)	16,978	-	35,103	1
Deferred tax assets (Notes 4 and 24)	25,486	1	78,811	2
Prepayments for business facilities	-	-	1,869	-
Refundable deposits (Notes 19 and 33)	464,971	7	208,547	5
Other non-current assets (Note 17)	231,467	4	141,152	4
Total non-current assets	1,154,110	18	673,373	17
Total assets	$ 6,278,643	100	$ 3,983,400	100
Liabilities and equity				
Current liabilities				
Short-term loans (Note 18)	$ -	-	$ 130,613	3
Contract liabilities (Notes 4 and 22)	173,602	3	88	-
Accounts payable	600,046	9	236,934	6
Other payables (Notes 19 and 31)	192,369	3	332,738	8
Current tax liabilities (Note 4)	388,279	6	132,617	3
Lease liabilities - Current (Notes 4 and 15)	41,286	1	19,830	1
Other current liabilities (Note 19)	4,258	-	2,287	-
Total current liabilities	1,399,840	22	855,107	21
Non-current liabilities				
Deferred tax liabilities (Notes 4 and 24)	19,278	1	233	-
Lease liabilities - Non-current (Notes 4 and 15)	50,570	1	25,090	1
Guarantee deposits received	14,000	-	-	-
Total non-current liabilities	83,848	2	25,323	1
Total liabilities	1,483,688	24	880,430	22
Equity (Notes 4, 21, 26 and 28)				
Share capital				
Ordinary share	744,136	12	742,316	19
Advance receipts for ordinary share	2,861	-	532	-
Total shares	746,997	12	742,848	19
Capital surplus	1,054,788	17	1,020,722	25
Retained earnings				
Legal reserve	364,163	5	282,992	7
Special reserve	-	-	4,576	-
Unappropriated earnings	2,631,525	42	1,053,036	27
Total retained earnings	2,995,688	47	1,340,604	34
Other equity	8,728	-	10,042	-
Treasury shares	(11,246)	-	(11,246)	-
Equity attributable to owners of the parent	4,794,955	76	3,102,970	78
Total equity	4,794,955	76	3,102,970	78
Total liabilities and equity	$ 6,278,643	100	$ 3,983,400	100

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, 2021 and 2020

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

	2021		2020	
	Amount	%	Amount	%
Operating revenue (Notes 4, 22 and 31)	$ 6,617,215	100	$ 3,549,497	100
Operating costs (Notes 10 and 23)	3,591,607	54	2,523,826	71
Gross profit	3,025,608	46	1,025,671	29
Operating expense (Notes 4, 9 and 23)				
Selling expense	115,405	2	86,707	2
Administrative expense	181,544	3	103,602	3
Research and development expense	359,104	5	313,530	9
Expected credit/ impairment (gain on reversal of impairment loss) loss	(602)	-	2,086	-
Total operating expense	655,451	10	505,925	14
Net operating income	2,370,157	36	519,746	15
Non-operating income and expense				
Share of other comprehensive income of associates, accounted for using equity method (Notes 4 and 13)	12,618	-	4,948	-
Interest income (Note 4)	4,957	-	6,348	-
Other gains and losses (Notes 4 and 23)	104,688	2	409,400	12
Other income, others	23,797	-	6,315	-
Interest expense	(1,951)	-	(2,803)	-
Miscellaneous disbursements	-	-	(3,599)	-
Total non-operating income and expense	144,109	2	420,609	12
Profit (loss) from continuing operations before tax	2,514,266	38	940,355	27
Income tax expense (Notes 4 and 24)	(488,809)	(7)	(124,985)	(4)

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	2021		2020	
	Amount	%	Amount	%
Profit (loss) from continuing operations in the year	$ 2,025,457	31	$ 815,370	23
Profit (loss) from discontinued operations (Note 11)	-	-	5,613	-
Net profit (loss) for the year	2,025,457	31	820,983	23
Other comprehensive income (Notes 4 and 21)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	(1,314)	-	11,060	-
Other comprehensive income for the year (net after income tax)	(1,314)	-	11,060	-
Total comprehensive income for the year	$ 2,024,143	31	$ 832,043	23
Profit attributable to:				
Owners of the parent	$ 2,025,457	31	$ 811,710	23
Non-controlling interest (Notes 11, 21 and 28)	-	-	9,273	-
	$ 2,025,457	31	$ 820,983	23
Comprehensive income (loss) attributable to:				
Owners of the parent	$ 2,024,143	31	$ 822,735	23
Non-controlling interest (Notes 11, 21 and 28)	-	-	9,308	-
	$ 2,024,143	31	$ 832,043	23
Earnings per share (Note 25)				
From continuing and discontinued operations				
Basic	$ 13.67		$ 5.50	
Diluted	$ 13.45		$ 5.42	
From continuing operations				
Basic	$ 13.67		$ 5.52	
Diluted	$ 13.45		$ 5.44	

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, 2021 and 2020

(In Thousands of New Taiwan Dollars)

	Share capital (Notes 4, 21 and 26)			Capital surplus (Notes 4, 21, 26 and 28)	Retained earnings (Notes 4 and 21)				Other equity interest (Notes 4, 11, 21 and 26)						
	Ordinary share	Advance receipts for ordinary share	Total		Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translating the financial statements of foreign operations	Unearned compensation cost	Total	Treasury shares (Notes 4 and 21)	Equity attributable to owners of the parent	Non-controlling interest (Notes 11 and 28)	Total equity
Balance at January 1, 2020	$ 738,535	$ -	$ 738,535	$ 838,388	$ 282,992	$ 3,225	$ 316,359	$ 602,576	($ 4,576)	($ 1,120)	($ 5,696)	($ 11,246)	$ 2,162,557	$ -	$ 2,162,557
Appropriation of the 2019 earnings															
Special reserve	-	-	-	-	-	1,351	(1,351)	-	-	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	-	(73,682)	(73,682)	-	-	-	-	(73,682)	-	(73,682)
Compensation cost for employee share options	-	-	-	10,365	-	-	-	-	-	-	-	-	10,365	(401)	9,964
Net profit for the year 2020	-	-	-	-	-	-	811,710	811,710	-	-	-	-	811,710	9,273	820,983
Other comprehensive income after tax for the year 2020	-	-	-	-	-	-	-	-	11,025	-	11,025	-	11,025	35	11,060
Total comprehensive income for the year 2020	-	-	-	-	-	-	811,710	811,710	11,025	-	11,025	-	822,735	9,308	832,043
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(22,979)	(22,979)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	153,042	-	-	-	-	3,593	-	3,593	-	156,635	14,072	170,707
Changes in ownership interests in subsidiaries	-	-	-	401	-	-	-	-	-	-	-	-	401	-	401
Issuance of ordinary shares under the employee share option plan	3,781	532	4,313	18,526	-	-	-	-	-	-	-	-	22,839	-	22,839
Issuance of restricted stock awards (RSAs) by the Corporation	-	-	-	-	-	-	-	-	-	1,120	1,120	-	1,120	-	1,120
Balance at December 31, 2020	742,316	532	742,848	1,020,722	282,992	4,576	1,053,036	1,340,604	10,042	-	10,042	(11,246)	3,102,970	-	3,102,970
Appropriation of the 2020 earnings															
Legal reserve	-	-	-	-	81,171	-	(81,171)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(4,576)	4,576	-	-	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	-	(370,373)	(370,373)	-	-	-	-	(370,373)	-	(370,373)
Compensation cost for employee share options	-	-	-	25,465	-	-	-	-	-	-	-	-	25,465	-	25,465
Net profit for the year 2021	-	-	-	-	-	-	2,025,457	2,025,457	-	-	-	-	2,025,457	-	2,025,457
Other comprehensive income after tax for the year 2021	-	-	-	-	-	-	-	-	(1,314)	-	(1,314)	-	(1,314)	-	(1,314)
Total comprehensive income for the year 2021	-	-	-	-	-	-	2,025,457	2,025,457	(1,314)	-	(1,314)	-	2,024,143	-	2,024,143
Issuance of ordinary shares under the employee share option plan	1,820	2,329	4,149	8,601	-	-	-	-	-	-	-	-	12,750	-	12,750
Balance at December 31, 2021	$ 744,136	$ 2,861	$ 746,997	$ 1,054,788	$ 364,163	$ -	$ 2,631,525	$ 2,995,688	$ 8,728	$ -	$ 8,728	($ 11,246)	$ 4,794,955	$ -	$ 4,794,955

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, 2021 and 2020

(In Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from operating activities		
Income from continuing operations before income taxes	$ 2,514,266	$ 940,355
Income from discontinued operations before income taxes	-	5,619
Income before taxes for the year	2,514,266	945,974
Adjustments to reconcile profit (loss)		
Depreciation expense	48,237	22,966
Amortization expense	25,050	37,497
Expected credit/ impairment (gain on reversal of impairment loss) loss	(602)	2,086
Valuation gain on financial assets at fair value through profit or loss	(120,071)	(48,141)
Interest expense	1,951	2,733
Interest income	(4,957)	(6,348)
Dividend income	(503)	(155)
Cost of share-based payment	25,465	11,485
Share of profit (loss) of associates accounted for using equity method	(12,618)	(4,948)
Loss on disposal and scrap of property, plant and equipment	-	142
Gain (on disposal of assets	-	(422,810)
Gains on disposal of associates accounted for using equity method	-	(461)
Loss of inventory falling price and slow-moving inventory	63,481	26,333
Unrealized foreign exchange loss (gain)	(24,446)	26,954
Loss on lease contract	-	116
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	976,634	(884,193)
Notes and accounts receivable	(251,038)	(194,001)
Other receivables	384,775	28,129
Inventories	(1,135,047)	157,398
Other assets	(97,408)	(8,099)
Refundable deposits	(243,440)	-
Contract liabilities	173,514	(6,458)
Accounts payable	365,124	151,522
Other payables	(141,367)	(3,856)
Other current liabilities	1,556	2,865
Cash inflow (outflow) generated from operations	2,548,556	(163,270)
Interest received	4,143	5,382

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	2021	2020
Dividend received	$ 503	$ 155
Interest paid	(1,953)	(2,883)
Income taxes paid	(140,324)	(21,040)
Net cash inflow (outflow) generated from operating activities	2,410,925	(181,656)
Cash flows from investing activities		
Acquisition of financial assets at amortized cost	-	(57,435)
Proceeds from disposal of financial assets at amortized	57,528	-
Acquisition of investment accounted for using equity method	-	(500)
Proceeds from disposal of subsidiaries (Note 27)	-	451,200
Purchase of property, plant and equipment	(87,049)	(4,531)
Disposition of Property, plant and equipment	-	1,191
Increase in refundable deposits	(12,984)	(3,754)
Acquisition of intangible assets	(7,404)	(27,548)
Increase in prepayments for business facilities	-	(17,293)
Dividends received from associates	5,400	7,740
Issuance of financial liabilities measured at fair value through profit or loss	-	9,753
Net cash flows from investing activities	(44,509)	358,823
Cash flows from (used in) financing activities		
Decrease in short-term loans	(130,613)	(172,566)
Increase in guarantee deposits	14,000	-
Payment of lease liabilities	(36,892)	(14,494)
Cash dividend paid	(370,373)	(73,682)
Exercise of employee share options	12,750	22,839
Disposal of ownership interests in subsidiaries (without loss of control)	-	140,447
Net cash from financing activities	(511,128)	(97,456)
Effect of exchange rate changes on cash and cash equivalents	(808)	(1,008)
Net increase in cash and cash equivalents	1,854,480	78,703
Cash and cash equivalents at the beginning of the year	662,967	584,264
Cash and cash equivalents at the end of the year	$ 2,517,447	$ 662,967

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, 2021 and 2020

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

1. General Information

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

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

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

2. Approval of Financial Statements

The consolidated financial statements were approved by the Corporation's board of directors on February 25, 2022.

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

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

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

(2) Applicable IFRSs endorsed by FSC in 2022

Newly released, amended or revised standards and interpretations	Effective date issued by IASB
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022 (Note 1)
Reference to the Conceptual Framework (Amendments to IFRS 3)	January 1, 2022 (Note 2)
Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)	January 1, 2022 (Note 3)
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	January 1, 2022 (Note 4)

Note 1: 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 2: 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 3: 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 4: 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.

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

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

Newly released, amended or revised standards and interpretations	Effective date issued by IASB (Note 1)
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Undefined
IFRS 17 Insurance Contract	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Initial application of IFRS 17 and IFRS 9 — Comparative information (Amendments to IFRS 17)	January 1, 2023
Classifying liabilities as current or non-current (Amendments to IAS 1)	January 1, 2023
Disclosure of Accounting Policies (Amendments to IAS 1)	January 1, 2023 (Note 2)
Definition of Accounting Estimates (Amendment to IAS 8)	January 1, 2023 (Note 3)
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023 (Note 4)

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

Note 2: The amendments are applicable for annual reporting period beginning on or after January 1, 2023 with prospective effects.

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

Note 4: Except for leases and decommissioning obligations related temporary differences that are recognized as deferred tax on January 1, 2022, amendments are applicable to transactions incurred during annual reporting period beginning on or after January 1, 2022.

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

4. Summary of Significant Accounting Policies

(1) Statement of compliance

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

(2) Basis of preparation

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

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

A. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

B. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

C. Level 3 inputs are unobservable inputs for the asset or liability.

(3) Classification of current and non-current assets and liabilities

Current assets include:

A. Assets held primarily for the purpose of trading;

B. Assets expected to be realized within 12 months after the reporting period; and

C. Cash and cash equivalents (unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period).

Current liabilities include:

A. Liabilities held primarily for the purpose of trading;

B. Liabilities due to be settled within 12 months after the reporting period, and

C. Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

(4) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e., subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income, and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the shareholders of the parent 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 12 and Appendices 7 and 8 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

(5) Foreign currencies

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

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

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

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

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

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

(6) Inventories

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

(7) Investments in associates

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

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

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

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

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

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

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

(8) Property, plant and equipment

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

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

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

(9) Goodwill

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

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

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

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

(10) Intangible assets

A. Intangible assets acquired separately

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

B. Intangible assets acquired in a business combination

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

C. Derecognition of intangible assets

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

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

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

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

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

(12) 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.

(13) 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 relationship with the discontinued operations of the current period.

(14) Financial instruments

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

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

A. Financial assets

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.

(a) Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with dividends, interest and any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 30.

(b) Financial assets at amortized cost

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

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

b. Impairment of financial assets

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

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

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

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

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

c. Derecognition of financial assets

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

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

B. Equity instruments

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

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

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

C. Financial liabilities

a. Subsequent measurement

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

b. Derecognition of financial liabilities

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

(15) Revenue recognition

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

A. Revenue from the sale of goods

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

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

B. Revenue from the rendering of services

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

C. Revenue from licensing

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

(16) 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.

(17) Employee benefits

A. Short-term employee benefits

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

B. Retirement benefits

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

(18) 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.

(19) Income taxes

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

A. Current tax

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

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

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

B. Deferred tax

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

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

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

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

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

C. Current and deferred taxes for the year

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

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

Fair value measurements and valuation process

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

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

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

For detailed information about fair value valuation techniques, please refer to Notes 7 and 30.

6. Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	$ 56	$ 98
Checking accounts and demand deposits	1,096,391	662,869
Cash equivalents (investments with original maturities of three months or less)		
Time deposits	1,421,000	-
	$ 2,517,447	$ 662,967

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

	December 31, 2021	December 31, 2020
Bank deposit	0.001%～1.4375%	0.001%～0.3%
Time deposits	0.05%～0.4%	-

7. Financial instruments at FVTPL

	December 31, 2021	December 31, 2020
Financial Assets - Current		
Non-derivative financial assets		
- Trust fund beneficiary certificates	$ -	$ 930,536

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	December 31, 2021	December 31, 2020
Financial Assets – Non-current		
Non-derivative financial assets		
- Foreign unlisted (non-OTC) stocks		
Haining Changmeng Tachnology Partnership Enterprise (Limited Partnership) (1)	$ 123,638	$ 27,243
- Domestic listed (OTC) stocks		
Powerchip Semiconductor Manufacturing Corp. (2)	12,001	-
- Domestic emerging stocks		
Powerchip Semiconductor Manufacturing Corp. (2)	-	39,984
- Domestic unlisted (non-OTC) stocks		
GeneASIC Technologies Corporation (3)	6,350	789
	$ 141,989	$ 68,016

(1) The Group signed an investment agreement with Haining Changmeng Tachnology Partnership Enterprise (Limited Partnership) (hereinafter referred to as Haining Changmeng) in August 2019. With a total investment of RMB6,900 thousand (24.64%), the Group does not have the ability to influence relevant activities and therefore does not have relevant significant influence. As of December 31, 2021, the Group has contributed 24.64% of the total paid-in capital.

(2) The Group acquired 1,500 thousand ordinary shares of Powerchip Semiconductor Manufacturing Corp. (hereinafter referred to as PSMC), counting 0.048% of PSMC's issued shares, in August 2019 at the price of $15,150 thousand. Later in June 2021, August 2021 and June 2020, the Group sold 250 thousand, 451 thousand and 700 thousand shares at $16,713 thousand, $30,809 thousand and $15,775 thousand; and produced realized benefits amounted at $14,188 thousand, $26,253 thousand and $8,705 thousand, respectively. The Group also purchased 70 thousand shares newly issued by PSMC for capital increase and the investment amount thereof was $2,782 thousand. As of December 31, 2021, the Group possesses 0.005% of PSMC's shares.

(3) In August 2020, the Group acquired 500 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. Besides, as the Group did not purchase new shares

issued by GeneASIC for capital increase in August 2021, its shareholding ratio reduced to 14.46%. As of December 31, 2021, the Group possesses 14.46% of GeneASIC's shares.

8. Financial assets at amortized cost

	December 31, 2021	December 31, 2020
Current		
Time deposits with the original maturity of more than 3 months.	$ 2,763	$ 60,215
Non-current		
Time deposits with the original maturity of more than 1 year.	$ 5,789	$ 5,865

Please refer to Note 32 for information relating to investments measured at amortized cost.

9. Notes receivable, accounts receivable and other receivables

	December 31, 2021	December 31, 2020
Accounts receivable (1)		
Measured at amortized cost		
Gross carrying amount	$ 855,564	$ 602,687
Less: Allowance for impairment loss	(1,484)	(2,086)
	$ 854,080	$ 600,601
Other receivables (2)		
Tax receivable	$ 34,257	$ 19,198
Loans receivable		
Fixed interest rate	-	381,523
Others	3,849	1,056
	$ 38,106	$ 401,777

(1) Accounts receivable

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

The Group measures the impairment loss allowance for accounts receivable at an amount equal to lifetime expected credit losses (ECLs). The ECLs on accounts receivable are estimated by reference to the past default experience of the debtor and an analysis of the debtor’s current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. 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 server financial difficulty and there is no realistic prospect of recovery. For accounts receivable that has been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2021

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

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	$ 537,424	$ 27,386	$ 35,075	$ -	$ 716	$ -	$ -	$ 600,601

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

	2021	2020
Balance at the beginning of the year	$ 2,086	$ 2,738
Add: Impairment loss recognized for the year	-	2,086
Less: Reversal impairment loss for the period	(602)	-
Less: Disposal of subsidiaries (Note 27)	-	(2,738)
Balance at the end of the year	$ 1,484	$ 2,086

(2) 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, 2021: None):

	December 31, 2020
Fixed-rate loans receivable	
No more than 1 year	$ 381,523

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, 2021	December 31, 2020
Finished goods	$ 212,800	$ 156,564
Work-in-process goods	659,230	263,186
Raw materials	824,591	205,305
	$ 1,696,621	$ 625,055

The nature of operating costs is as follows:

	2021	2020
Cost of inventories sold	$ 3,528,126	$ 3,453,684
Cost of service	-	1,231
Inventory devaluation	63,481	26,333
Less: Amounts transferred to discontinued operations	-	(957,422)
	$ 3,591,607	$ 2,523,826

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 28.

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 thousand. 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
Operating revenue	$1,123,125
Operating costs	(957,423)
Gross profit	165,702
Research and development expense	(158,143)
Selling expense	(6,175)
Administrative expense	(7,827)
Operating loss	(6,443)
Non-operating income and expenses	12,062
Income before taxes	5,619
Income tax expense	(6)
Profit (loss) from discontinued operations	$ 5,613
Profit (loss) from discontinued operations that belong to:	
Owners of the parent	($ 3,660)
Non-controlling interest	9,273
	$ 5,613
Cash flow from	
Operating activities	$ 137,253
Investing activities	-
Financing activities	(3,484)
Effects of exchange rate change on cash	(765)
Net cash inflow	$ 133,004

The carrying amounts of Zentel Japan's assets and liabilities are disclosed in Note 27.

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 December 31, 2021	% of ownership December 31, 2020	Descriptions
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	-	-	(2)
The Corporation	Zentel Electronics Corporation	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)
The Corporation	APware Technology Corp. (hereinafter referred to as APware)	IC research, development and sales	100%	-	(6)
AP-HOLDING	AP Electronics (Beijing) Co., Ltd. (hereinafter referred to as "AP Beijing")	Technical consulting and services of ICs	-	-	(7)
Zentel Electronics	Zentel Japan	IC research, development and sales	-	-	(8)
AP Hangzhou	AP Memory Technology (Hong Kong) Co. Limited (hereinafter referred to as "AP Hong Kong")	Sale of ICs	100%	100%	(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 February 25, 2022, the Corporation already contributed US$2,000 thousand of capital thereto.

b. To cope with the projected growth of reinvestment business and to develop into operational deployment planning, the Corporation established the 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 27 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 $441,040 thousand via cash consideration in accordance with Business Mergers And Acquisitions Act. Up until now, the Corporation already purchased the full equity of Zentel Electronics. Zentel Electronics engages in the design, development and sale of ICs. To plan the operations and enhance the capital use efficiency of Zentel Electronics, the Corporation has reduced capitalization and returned the share money of $399,000 thousand on July 30,

2021. With respect to Zentel Electronics' business adjustments made in response to the Group's overall strategy, please refer to Note 11. As of February 25, 2022, Zentel Electronics' paid-in capital is $1,000 thousand.

d. Established in Hangzhou in December 2017, AP Hangzhou mainly engages in the design, development and sale of ICs. In 2021, the Corporation contributed US$1,000 thousand of capital thereto. As of February 25, 2022, AP Hangzhou's paid-in capital is amounted US$2,000 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. To cope with the projected growth of reinvestment business and to develop into operational deployment planning, the board of directors has adopted the resolution of establishing the subsidiary "APware Technology Corp." (hereinafter referred to as APware) in Cayman Islands on October 15, 2021; and APware, which engages in IC design, development and sales, was established in October 2021. As of February 25, 2022, the Corporation has not invested capital therein yet.

g. 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.

h. 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.

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. AP Hangzhou has contributed US$10 thousand of capital in June 2021. As of February 25, 2022, the Corporation's paid-in capital is US$10 thousand.

13. Investments accounted for using equity method

	December 31, 2021	December 31, 2020
Investments in associate		
Individually insignificant associates		
Lyontek Inc. (hereinafter referred to as "Lyontek")	$ 87,123	$ 79,905

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

	2021	2020
Shares held by the Group		
Net profit for the year	$ 12,618	$ 4,948
Total comprehensive income	$ 12,618	$ 4,948

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. 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 improvement
Cost					
Balance at January 1, 2021	$ 103,762	$ 7,938	$ 5,632	$ 6,718	$ 124,050
Addition	77,101	3,383	83	7,787	88,354
Internal transfer	(432)	-	432	1,869	1,869
Disposal	(33,713)	-	(1,871)	-	(35,584)
Net exchange differences	(7)	(27)	(17)	(10)	(61)
Balance at December 31, 2021	146,711	11,294	4,259	16,364	178,628
Accumulated depreciation					
Balance at January 1, 2021	99,030	6,723	5,129	5,159	116,041
Depreciation expense	12,230	1,659	724	2,198	16,811
Disposal	(33,713)	-	(1,871)	-	(35,584)
Net exchange differences	(1)	(21)	(11)	(6)	(39)
Balance at December 31, 2021	77,546	8,361	3,971	7,351	97,229
Net at December 31, 2021	$ 69,165	$ 2,933	$ 288	$ 9,013	$ 81,399
Cost					
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 27)	(7,721)	(205)	(425)	-	(8,351)
Net exchange differences	44	(47)	38	22	57
Balance at December 31, 2020	103,762	7,938	5,632	6,718	124,050
Accumulated depreciation					
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 27)	(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

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

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

15. Lease Agreements

(1) Right-of-use assets

	December 31, 2021	December 31, 2020
Carrying amounts of right-of-use assets		
Building	$ 16,024	$ 12,479
Machinery and equipment	82,884	33,617
	$ 98,908	$ 46,096

	2021	2020
Increase of the right-of-use assets	$ 84,296	$ 40,469
Depreciation expense of the right-of-use asset		
Building	$ 11,139	$ 12,779
Machinery and equipment	20,287	1,159
Less: Depreciation expense of discontinued operations	-	(3,474)
	$ 31,426	$ 10,464

(2) Lease liabilities

	December 31, 2021	December 31, 2020
Carry amounts of lease liabilities		
Current	$ 41,286	$ 19,830
Non-current	$ 50,570	$ 25,090

The discount rate intervals of lease liabilities are as follows:

	December 31, 2021	December 31, 2020
Building	1.8%~2%	1.68%~3.58%
Machinery and equipment	1.8%	1.8%

(3) Other lease information

	2021	2020
Expense relating to short-term leases	$ 3,169	$ 3,523
Less: Expense relating to short-term leases of discontinued operations	-	(163)
	$ 3,169	$ 3,360
Total cash (outflow) for leases	($ 41,846)	($ 18,489)

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

16. Other intangible assets

	Computer software	Technical licensing	Customer relations	Total improvement
Cost				
Balance at January 1, 2021	$ 109,828	$ -	$ -	$ 109,828
Increase during the year	7,404	-	-	7,404
Disposal during the year	(15,589)	-	-	(15,589)
Net exchange differences	(1,294)	-	-	(1,294)
Balance at December 31, 2021	$ 100,349	$ -	$ -	$ 100,349
Accumulated amortization				
Balance at January 1, 2021	$ 74,725	$ -	$ -	$ 74,725
Amortization expense	25,050	-	-	25,050
Disposal during the year	(15,589)	-	-	(15,589)
Net exchange differences	(815)	-	-	(815)
Balance at December 31, 2021	$ 83,371	$ -	$ -	$ 83,371
Net at December 31, 2021	$ 16,978	$ -	$ -	$ 16,978
Cost				
Balance at January 1, 2020	$ 86,767	$ 114,586	$ 789	$ 202,142
Increase during the year	27,548	-	-	27,548
Disposal of subsidiaries (Note 27)	(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	$ 109,828	$ -	$ -	$ 109,828
Accumulated amortization				
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 27)	(24,211)	(46,791)	(306)	(71,308)
Internal transfer	14,955	-	-	14,955
Net exchange differences	(852)	-	-	(852)
Balance at December 31, 2020	$ 74,725	$ -	$ -	$ 74,725
Net at December 31, 2020	$ 35,103	$ -	$ -	$ 35,103

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

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

17. Other assets

	December 31, 2021	December 31, 2020
Current		
Excess business tax paid	$ 6,415	$ 6,594
Others	9,101	1,829
	$ 15,516	$ 8,423
Non-current		
Masks and probe cards	$ 205,226	$ 141,152
Prepayment for bonus	26,241	-
	$ 231,467	$ 141,152

18. Loans (December 31, 2021: None)

Short-term loans

	December 31, 2021
Secured loan (Note 32)	
Bank loan	$ 45,473
Unsecured loan	
Bank loan	85,140
	$ 130,613

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 2.214%.

The valid annual interest rate on unsecured loan at December 31, 2020 was 0.72%.

19. Other Liabilities

	December 31, 2021	December 31, 2020
Current		
Other payables		
Payable for employees' compensation	$ 106,662	$ 36,649
Payable for salaries and bonuses	51,630	35,518
Payable for board directors' remuneration	8,000	9,000
Payable for compensated absences	6,426	3,688
Payable for labor and national health insurance	2,316	1,673
Payable for pension	2,095	1,508
Payable for labor costs	2,081	2,268

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	December 31, 2021	December 31, 2020
Payable for equipment	$ 1,305	$ -
Payable for masks and probe cards	625	20,737
Payable for the customer complaint compensation (1)	-	195,435
Others	11,229	26,262
	$ 192,369	$ 332,738
Other Liabilities		
Advance receipts (2)	$ 2,557	$ 1,725
Others	1,701	562
	$ 4,258	$ 2,287

(1) 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. Related liabilities have been paid off in December 2021.

20. 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.

21. Equity

(1) Share capital

A. Ordinary shares

	December 31, 2021	December 31, 2020
Number of shares authorized (in thousands)	200,000	100,000
Authorized share capital	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	148,827	74,231
Shares issued	$ 744,136	$ 742,316
Advance receipts for ordinary share	$ 2,861	$ 532

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

Such change to the Corporation's share capital was resulted from the exercise of employee stock options (ESO).

For years ended in December 31, 2021 and 2020, the Corporation still needs to issue new shares for exercised 38,000 and 12,000 stock options. The exercise price received thereby are $2,861 thousand and 532 thousand, respectively; and the said amounts are recognized as advance receipts for ordinary share.

B. Issuance of GDRs

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

(2) Capital surplus

	December 31, 2021	December 31, 2020
May be used to offset a deficit, distributed as cash dividends or transferred to share capital (1)		
Arising from issuance of ordinary shares	$ 633,916	$ 625,315
Exercised and invalid employee share options	184,275	180,740
Difference between consideration and carrying amount of subsidiaries acquired or disposed	153,042	153,042
Acquired RSAs	47,595	47,595
	1,018,828	1,006,692
May be used to offset a deficit only (2)		
SEO for employee share options	467	467
Changes in subsidiaries' ownership interests recognized using the equity method	401	401
	868	868
May not be used for any purpose		
Employee share options	35,092	13,162
	$ 1,054,788	$ 1,020,722

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

B. Capital surplus generated from 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.

(3) Retained earnings and dividend policy

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

The Corporation's distribution of earnings for 2020 and 2019 is as follows:

	2020	2019
Legal reserve	$ 81,171	$ -
Special reserve (reversal) set aside	($ 4,576)	$ 1,351
Cash dividends	$ 370,373	$ 73,682
Dividends per share (NT$)	$ 5.0	$ 1.0

The above cash dividends have been approved by board of directors on March 12, 2021 and April 30, 2020; and the proposed appropriation of the rest earnings has been adopted at shareholders' meeting on August 20, 2021 and June 15, 2020, respectively.

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

The Corporation's appropriation of earnings for 2021 proposed by the board of directors on February 25, 2022 is as follows:

	2021
Legal reserve	$ 202,546
Special reserve (reversal)	$ 968,275
Cash dividends	$ 6.0

The above cash dividends have been approved by the board of directors, whereas the appropriation of rest earnings will be finalized at the shareholders' meeting to be held on May 27, 2022.

(4) Other equity

A. Exchange differences on translation of foreign financial statements

	2021	2020
Balance at the beginning of the year	$ 10,042	($ 4,576)
Exchange differences on translating the financial statements of foreign operations	(1,299)	(1,832)
Share of the other comprehensive income of subsidiaries accounted for using equity method	(15)	36
Reclassification adjustment		
Disposal of foreign operations (Note 27)	-	12,821
Other comprehensive income for the year	(1,314)	11,025
Disposal of subsidiaries' partial equity	-	3,593
Balance at the end of the year	$ 8,728	$ 10,042

B. Unearned compensation cost (2021: None)

Please refer to Note 26 for information relating to the Corporation's issuance of restricted stock awards (RSA).

	2020
Balance at the beginning of the year	($ 1,120)
Expense recognized as share-based payment	1,120
Balance at the end of the year	$ -

(5) Non-controlling interest (from January 1 to December 31, 2020: None))

	2021
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	(22,979)
Balance at the end of the year	$ -

(6) Treasury shares

Purpose of redemption	Shares transferred to employees (in thousands of shares)
2021	
Number of shares at the beginning of the year	258
Increase during the year – change in par value	258
Number of shares at the end of the year	516
2020	
Number of shares at the beginning and end of the years	258

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, 2018and December 8, 2018 at the price of NT$11,246 thousand. The Corporation is expected to write off the aforesaid shares before March 2022.

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.

22. Revenue

	2021	2020
Revenue from contracts with customers		
Revenue from the sale of goods	$ 6,318,944	$ 3,190,196
Revenue from the rendering of services	139,566	225,172
Revenue from licensing	154,095	76,603
Other income	4,610	57,526
	$ 6,617,215	$ 3,549,497

(1) Descriptions of contracts with customers

Please refer to Note 4 (15) for more information.

(2) Contract balance

	December 31, 2021	December 31, 2020	January 1, 2020
Accounts receivable (Note 9)	$ 854,080	$ 600,601	$ 588,346
Contract liabilities			
Sale of goods	$ 173,602	$ 88	$ 6,546

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

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

	2021	2020
From the contract liabilities at the beginning of the year		
Sale of goods	$ 88	$ 6,546

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

(1) Depreciation and amortization

	2021	2020
Property, plant and equipment	$ 16,811	$ 8,602
Right-of-use assets	31,426	10,464
Other intangible assets	25,050	37,497
	$ 73,287	$ 56,563
Depreciation expense by function		
Cost of sales	$ 31,685	$ 5,366
Operating expense	16,552	13,700
	$ 48,237	$ 19,066
Amortization expense by function		
Cost of sales	$ 153	$ 13,683
Operating expense	24,897	23,814
	$ 25,050	$ 37,497

(2) Employee benefit expense

	2021	2020
Retirement benefit plans		
Defined Contribution Plans (Note 20)	$ 11,652	$ 6,399
Share-based payment		
Equity settlement	25,465	13,055
Other employee benefits		
Salary expense	455,945	301,952
Labor insurance and national health insurance expense	20,002	14,239
Other employment expense	17,046	12,997
	492,993	329,188
Total employee benefit expense	$ 530,110	$ 348,642
Summarized by functions		
Cost of sales	$ 50,482	$ 41,491
Operating expense	479,628	307,151
	$ 530,110	$ 348,642

(3) Other gains and losses

	2021	2020
Net exchange loss (Notes 4, 23 and 34)	($ 15,383)	($ 61,870)
Gain on disposal of assets (Note 27)	-	422,810
Gains on financial assets at fair value through profit or loss (Note 4 and 30)	120,071	48,141
Gain on disposal of investment (Note 7)	-	461
Loss on disposal of property, plant and equipment	-	(142)
	$ 104,688	$ 409,400

(4) Employees' compensation and board directors' remuneration

According to the Corporation's Articles of Incorporation, the Corporation shall appropriate employees' compensation at a rate of no less than 1% and directors' remuneration at a rate of no higher than 3%. The estimation of employees' compensation and directors' remuneration for 2021 and 2020 have been adopted by board of directors on February 25, 2022 and March 12, 2021, respectively, as follows:

Estimation rate

	2021	2020
Employees' compensation	2.86%	3.77%
Board directors' remuneration	0.31%	0.87%

Amount

	2021	2020
Employees' compensation	$ 74,262	$ 34,592
Board directors' remuneration	8,000	8,000

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

No employees' compensation and board directors' remuneration has been estimated for 2019 due to pre-tax loss.

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

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

(5) Exchange difference recognized in profit or loss

	2021	2020
Total exchange gain	$ 67,025	$ 52,538
Total exchange loss	(82,408)	(114,408)
Net loss	($ 15,383)	($ 61,870)

24. Income Taxes from Continuing Operations

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

	2021	2020
Current income tax		
Expenses recognized in the current year	($ 409,768)	($ 133,090)
Unappropriated earnings	(14,552)	-
Adjustments on prior years	7,881	-
	(416,439)	(133,090)
Deferred tax		
Expenses recognized in the current year	(72,370)	(25,786)
Adjustments on prior years	-	33,891
	(72,370)	8,105
Income tax expense recognized in profit or loss	($ 488,809)	($ 124,985)

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

	2021	2020
Income before taxes	$ 2,514,266	$ 940,355
Income tax expense at the statutory rate	($ 503,979)	($ 279,862)
Unrecognized tax benefit	21,841	77,525
Income tax adjustments on prior years	7,881	-
Unappropriated earnings	(14,552)	-
Unrecognized deductible temporary differences/ loss carryforwards	-	77,352
Income tax expense recognized in profit or loss	($ 488,809)	($ 124,985)

(2) Deferred tax assets and liabilities a

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

2021

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

Deferred tax liabilities			
Temporary differences	$ -	$ 18,721	$ 18,721
Current financial assets at fair value through profit or loss	233	324	557
Exchange gain	$ 233	$ 19,045	$ 19,278

2020

	Balance at the beginning of the year	Recognized in profit or loss	Balance at the end of the year
Deferred tax assets			
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	31,450	(31,450)	-
	$ 74,075	$ 4,736	$ 78,811
Deferred tax liabilities			
Temporary differences			
Unrealized loss from sale	$ 1,946	($ 1,946)	$ -
Exchange gain	1,656	(1,423)	233
	$ 3,602	($ 3,369)	$ 233

(3) Deductible temporary differences and unused deduction of loss that are not recognized as deferred tax assets in consolidated balance sheets (December 31, 2021: None)

	December 31, 2020
Deductible temporary differences	$ 192,736

(4) Income tax assessment

The Corporation and its subsidiary Zentel Electronics' tax returns for income tax through 2019 have been assessed by the tax authorities.

25. Earnings per share

Unit: NT$ per share

	2021	2020
Basic earnings per share		
From continuing operations	$ 13.67	$ 5.52
From discontinued operations	-	(0.02)
	$ 13.67	$ 5.50
Diluted earnings per share		
From continuing operations	$ 13.45	$ 5.44
From discontinued operations	-	(0.02)
	$ 13.45	$ 5.42

The effect of changing the par value of shares has been adjusted retrospectively in the calculation of earnings per share. The stock exchange base date was set on October 15, 2021. Due to the said retrospective adjustments, the basic and diluted earnings per share of 2020 are as follows:

Unit: NT$ per share

	Before the retrospective adjustment	After the retrospective adjustment
Basic EPS		
From continuing operations	$ 11.05	$ 5.52
From discontinued operations	(0.05)	(0.02)
	$ 11.00	$ 5.50
Diluted EPS		
From continuing operations	$ 10.89	$ 5.44
From discontinued operations	(0.05)	(0.02)
	$ 10.84	$ 5.42

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

Net profit for the year

	2021	2020
Earnings used in the computation of basic and diluted earnings per share	$ 2,025,457	$ 811,710
Less: Earnings from discontinued operations that are used in the computation of basic and diluted earnings per share from discontinued operations	-	3,660
Earnings used in the computation of basic and diluted earnings per share from continuing operations	$ 2,025,457	$ 815,370

Number of shares

Unit: 1,000 shares

	2021	2020
Weighted average number of ordinary shares outstanding used in the computation of basic earnings per share	148,148	147,529
Effects of potentially dilutive ordinary shares:		
Employee share options	2,251	1,993
Employees' compensation	167	163
Restricted stock awards (RSAs)	-	24
Weighted average number of ordinary shares outstanding used in the computation of diluted earnings per share	150,566	149,709

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.

26. Share-based payment Agreements

(1) Employee share option plan

Grant date	March 12, 2021	September 26, 2020	December 20, 2019	April 26, 2019	November 9, 2018	January 25, 2017	November 30, 2014
Approval date by board of directors	August 7, 2020	August 7, 2020	April 26, 2019	August 8, 2018	August 8, 2018	November 3, 2016	July 17, 2014
Grant unit	69,430	319,000	750,000	8,000	692,000	680,000	1,800,000
Exercise price (NT$) (Notes 1 and 2)	781	333.5	83.7	43.85	44.8	81.70	36.76
Share per unit (Note 2)	1 ordinary share	1 ordinary share	1 ordinary share	1 ordinary share	1 ordinary share	1 ordinary share	1 ordinary share
Granted to	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation's employees who meet specific requirements
Vesting conditions (Note 3)	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 40% 3 years 30% 4 years 30%	3 months 40% 2 years 30% 3 years 30%
Life/ duration (year)	10	10	10	10	10	10	6

After the resolution of amendments to Code of Conduct was adopted at the shareholders' meeting in August 2021, the Corporation has changed the par value per share from $10 to $5; and related exchange procedures were completed in October 2021. Consequently, the exercise price per share of each stock option has been adjusted to 50% of its original exercise price; and the number of exercisable shares has been adjusted from 1 share to 2 shares.

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

Note 2: Where the Corporation changes the par value per share after the issuance of stock options, the exercise price of the option shall be adjusted according to the formula before adjusting the subscription ratio as prescribed. However, with respect to exercised warrant, no retrospective adjustments shall be made accordingly.

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

Information relating to issued employee share options is as follows:

Employee share options	2021 Unit	2021 Weighted average exercise prices (NT$)	2020 Unit	2020 Weighted average exercise prices (NT$)
Outstanding at the beginning of the year	1,540,000	$ 123.40	1,773,000	$ 66.47
Offered in the year	69,430	781.00	319,000	333.50
Became invalid in the year	(36,000)	152.80	(173,800)	68.37
Exercised in the year	(182,000)	57.26	(378,000)	58.98
Outstanding at the end of the year	1,391,430	162.99	1,540,000	123.40
Exercisable at the end of the year	239,500	71.41	64,500	47.21
The weighted average fair value of options offered in the year (NT$)	$ 322.04		$ 136.31	

The weighted average price of options exercised in 2021 and 2020 were $564.10 and $351.63, respectively on the exercise day.

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

December 31, 2021 Issue date	Exercise price (NT$)	Weighted average remaining contractual life (year)	December 31, 2020 Issue date	Exercise price (NT$)	Weighted average remaining contractual life (year)
January 25, 2017	$ 73.18	5.07	January 25, 2017	$ 73.18	6.07
November 9, 2018	44.30	6.86	November 9, 2018	44.30	7.86
April 26, 2019	43.30	7.32	April 26, 2019	43.30	8.32
December 20, 2019	82.90	7.98	December 20, 2019	83.50	8.97
September 26, 2020	331.20	8.74	September 26, 2020	333.50	9.75
March 12, 2021	775.50	9.20			

Employee share options offered by the Corporation in March 2021 and September 2020, respectively, were assessed using the binomial option pricing model. The parameters of the model are as follows:

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

Expected volatility 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 2021 and 2020 were $25,465 thousand and $10,365 thousand, respectively.

(2) Restricted stock awards (RSAs)

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

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

1) The grantee 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.

The movement in restricted stock awards (RSAs) in 2020 is as follows (2021: None):

	Number of shares (in thousands)
	2020
Outstanding at the beginning of the year	53
Vested in the year	(53)
Balance at the end of the year	-

Compensation costs recognized in 2020 were $1,120 thousand.

27. 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.

(1) Consideration received

	AP Holding	ZENTEL Japan
Cash	$ 6,946	$ 656,869

(2) 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	$ 10,931	$ 240,232

(3) 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)	($ 5,539)	$ 428,349

(4) 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)
	($ 10,189)	$ 461,389

28. Equity Transaction with Non-Controlling Interest

The Group disposed 24% equity interest of Zentel Japan in January 2,2020 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.

	Zentel Japan
Proceeds from the transaction	$ 180,460
Proceeds attributed to the option (Note 11)	(9,753)
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	(3,593)
Difference in equity transactions	$ 153,042
Adjustment accounts for difference in equity transactions	
Capital surplus – Actual Difference between consideration and carrying number of subsidiaries acquired or disposed	$ 153,042

29. 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.

30. Financial instruments

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

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

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

A. Fair value hierarchy

December 31, 2021

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

December 31, 2020

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

B. Reconciliation of Level 3 - Financial Liabilities at FVTPL

2021

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

2020

Financial assets	Measured at FVTPL Equity instruments
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	$ 28,032
Relating to assets held at the end of the reporting year and recognized as unrealized gains through profit and loss	$ 29,118

Financial liabilities	Derivative instruments
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	$ -

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

Classification of financial instruments	Valuation techniques and inputs
Domestic and foreign unlisted (non-OTC) stocks	1. Adopted the market approach, where the valuation of companies similar to the investee and investee's recent financing activities are used to measure the fair value thereof. 2. Adopted the asset approach, where the total market value of investee's individual assets and individual liabilities are considered when measuring the fair value thereof.
Derivatives	The fair value of option is measured using binomial option pricing model and Black-Scholes-Merton (BSM) model, where unobservable inputs are adopted to calculate the volatility of share price. When the expected volatility increases, the fair value of that derivative will increase as well.

(3) Classification of financial instruments

	December 31, 2021	December 31, 2020
Financial assets		
At Fair Value Through Profit or Loss (FVTPL)		
Equity instrument investment	$ -	$ 68,016
Trust fund beneficiary certificates	141,989	930,536
Measured at amortized cost (Note 1)	3,848,899	1,920,774
Financial liabilities		
Measured at amortized cost (Note 2)	806,415	700,285

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 (including those of related parties), other payables (including those of related parties) and guarantee deposit received.

(4) Financial risk management objectives and policies

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

A. Market risks

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

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

a. Currency risk

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

For the Group's monetary assets denominated in non-functional currency and carrying values of monetary liabilities recorded at the balance sheet date, please refer to Note 34.

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	
	2021	2020
Profit or loss (i)	$ 35,483	$ 51,739

(a) The above profit or loss is mainly associated with demand deposits, accounts receivable, other receivables, 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, 2021	December 31, 2020
Fair value interest rate risk		
- Financial assets	$ 1,429,552	$ 447,603
- Financial liabilities	91,856	130,060
Cash flow interest rate risk		
- Financial assets	1,096,355	662,848
- 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 assets and liabilities, the analysis was prepared assuming the amount of assets and liabilities outstanding during the reporting period had been outstanding for the whole year. Had interest rates been fifty basis points higher and all other variables were held constant, the Group's pretax profits would have increased by

$5,482 thousand and $3,087 thousand in 2021 and 2020, respectively. Such increase is resulted from the Group's variable-rate account.

(c) Other price risks

The price risks exposed to the Group in 2021 and 2020 in association with financial assets measured at fair value through profit and loss come from beneficiary certificates and equity instrument investments.

Sensitivity Analysis

The following sensitivity analysis is carried out on the equity price on the balance sheet date. Nevertheless, as the beneficiary certificates of funds possessed by the Group are money market funds, the price volatility risk thereof is relatively low and is therefore excluded from the sensitivity analysis.

If the equity price increases/decreases by 5%, the Group's net profit before tax for 2021 and 202 will increase/decrease by $7,099 thousand and $3,401 thousand as the financial assets (excluding beneficiary certificates of funds) are measured at fair value through profit and/or loss.

B. Credit risk

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

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

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

C. Liquidity risk

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

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

(a) Table of liquidity and interest rate risks

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

December 31, 2021

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

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
Non-derivative financial liabilities					
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	-	-
		$ 493,721	$ 228,230	$ 25,765	$ -

(b) Line of credit

	December 31, 2021	December 31, 2020
Line of credit		
－Used line of credit	$ -	$ 130,613
－Available line of credit	700,000	714,860
	$ 700,000	$ 845,473

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.

31. Related-Party Disclosures

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

(1) Related parties and relationships therewith

Name of related party	Relationship with the Group
Lyontek	Associate

(2) Operating revenue

Name of related party	2021	2020
Associate	$ 10,196	($ 5,591)

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

(3) Accounts receivable (December 31, 2020: None)

Type of related party	December 31, 2021
Associate	$ 1,836

(4) Other receivables from related parties (December 31, 2021: None)

Type of related party	December 31, 2020
Associate	$ 398

(5) Salaries and bonuses of key management personnel

	2021	2020
Short-term employee benefits	$ 85,107	$ 53,012
Retirement benefit plans	856	1,658
Share-based payment	4,019	1,846
	$ 89,982	$ 56,516

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

32. Pledged Assets

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

	December 31, 2021	December 31, 2020
Pledged time deposits (recognized as financial assets at amortized cost)	$ 2,763	$ 60,215

33. Contingent Liabilities and Unrecognized Contractual Commitments with Significance

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

(1) Significant Commitments

The Group has signed a long-term raw material purchase contract with suppliers. The contract period is from October 2021 to December 2023; and the Group has set $443,440 thousand as production capacity/purchase guarantee in October 2021. The contracts are also specified with the monthly purchase amount; and the violation terms and conditions. The Group has evaluated related contracts and regulations and conclude that these terms and conditions will not result in significant influence on the Group's financial status and operations.

(2) Contingencies

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

According to the verdict of the first trial, Zentel Electronics and other defendants should pay $99,822 thousand and the interest accrued from June 4, 2014 to the settlement date (at an annual interest rate of 5%) to the plaintiff; and shall bear half of the plaintiff's litigation costs.

Zentel Electronics obtained a commitment letter issued by the product's manufacturer on July 27, 2017. The commitment letter specifies the manufacturer's commitment of bearing the aforesaid compensation amount and statutory deferred interest ($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, 2027 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.

34. 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, 2021

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

December 31, 2020

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

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

	2021		2020	
Foreign Currency	Exchange Rate	Net exchange gain (loss)	Exchange Rate	Net exchange gain (loss)
USD	28.009 (USD : TWD)	($ 18,452)	29.549 (USD : TWD)	($ 69,378)
USD	6.4522 (USD : RMB)	669	6.9007 (USD : RMB)	8,222
JPY	0.2554 (JPY : TWD)	2,402	0.2769 (JPY : TWD)	(639)
EUR	33.160 (EUR: TWD)	(3)	33.7100 (EUR: TWD)	(75)
		($ 15,384)		($ 61,870)

35. Additional Disclosures

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

A. Financing provided to others: Please refer to Appendix 1.

B. Endorsement and guarantee for others: Please refer to Appendix 2.

C. Marketable securities held at the end of the year (investments in subsidiaries are excluded): Please refer to Appendix 3.

D. 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.

E Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: None.

F. Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None.

G. Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Please refer to the table of Appendix 5.

H. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.

I. Information about the derivative financial instrument transaction: None.

J. Others: Business relationships and significant transactions and amount between parent company and subsidiaries and among subsidiaries: Please refer to Appendix 6.

K. Information of investees: Please refer to Appendix 7.

(3) Information on investments in Mainland China:

A. The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, ending balance, amount received as dividends from the investee, and the limitation on investees: Please refer to Appendix 8.

B. Significant direct or indirect transactions with the investee, its prices and terms of payment and unrealized gain or loss:

a. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.

b. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Please refer to Appendix 6.

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 6.

(4) Information on major shareholders: The names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the equity: Please refer to Appendix 9.

36. Operating Segments

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

Between January 1 and December 31, 2020, the Group has managed the organization and allocated resources as a single operating segment. As 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. Due to adjustments in organizational structure, the Group classifies reportable segments of operating segments as follows starting from January 1, 2021:

IOT Business Unit – Responsible for the sales of ICs

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

(1) Segment revenue and operating results

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

January 1 to December 31, 2021

	IOT BU	AI BU	Total
Segment revenue	$ 5,844,625	$ 772,590	$ 6,617,215
Operating costs	(3,311,969)	(279,638)	(3,591,607)
Segment net profit	$ 2,532,656	$ 492,952	3,025,608
Operating expenses			(655,451)
Net operating profit			2,370,157
Non-operating income and expenditure			144,109
Net profit before tax			$ 2,514,266

(2) Revenue from major products and services

Please refer to Note 22.

(3) Information about geographical areas

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

	Revenue from external customers		Non-current assets	
	2021	2020	December 31, 2021	December 31, 2020
Mainland China	$ 4,910,559	$ 2,191,933	$ 27,710	$ 24,436
Taiwan	790,918	705,344	854,428	393,477
Japan	277,405	93,417	-	-
Europe	33,038	75,231	-	-
America	6,631	1,083	11,585	22,863
Others	598,664	482,489	-	-
	$ 6,617,215	$ 3,549,497	$ 893,723	$ 440,776

Non-current assets do not include assets classified as financial assets at fair value through profit or loss, financial assets at amortized cost, investments accounted for using equity method and deferred tax assets.

(4) Information about major customers

Revenue that is generated from one single customer and is more than 10% of the Group's combined revenue is as follows:

	2021
Customer B	$ 1,297,500
Customer A	753,367
	$ 2,050,867

	2020
Customer A	$ 855,620
Customer C	383,139
	$ 1,238,759

AP Memory Technology Corporation and Subsidiaries

Financing Provided to Others

For the year ended December 31, 2021

Appendix 1

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

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
													Item	Value			
0	AP Memory Technology Corporation	Zentel Japan Corp.	Other receivables	No	$ 415,200	$ -	$ -	-	Business contacts (Note 2)	$ -	-	$ -	-	$ -	$ 958,991	$ 1,917,982	

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, 2021.

Note 2: The board of directors has adopted the resolution of providing financing to Zentel Japan Corp. on September 26, 2020; and transferred payables exceeding the agreed payment terms (normal credit period) to other payables. The Corporation already successively received all of these payables before December 31, 2021.

AP Memory Technology Corporation and Subsidiaries

Endorsement and Guarantee for Others

For the year ended December 31, 2021

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)	$ 1,438,487	$ 100,000	$ -	$ -	$ -	-	$ 2,397,478	Y	N	N	
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(2)	1,438,487	27,680	-	-	-	-	2,397,478	Y	N	N	
1	Zentel Electronics Corp.	AP Memory Technology (Hangzhou) Limited Co.	(4)	22,735	55,360	-	-	-	-	37,892	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, 2021

Appendix 3

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

Held company	Type and name of marketable securities	Relationship with the issuer of securities	Account	At the end of the year (period)				Remarks
				Number of shares/ units	Carrying value	Percentage of ownership (%)	Fair value	
AP Memory Technology Corporation	Equity investments in listed (OTC) stocks							
	Powerchip Semiconductor Manufacturing Corp.	—	Current financial assets at fair value through profit or loss-Non-current	168,560	$ 12,001	0.005%	$ 12,001	
	Equity investments in unlisted (non-OTC) stocks							
	Haining Changmeng Technology Partnership Enterprise (Limited Partnership)	—	Current financial assets at fair value through profit or loss-Non-current	-	123,638	24.64%	123,638	
	GeneASIC Technologies Corporation	—	Current financial assets at fair value through profit or loss-Non-current	500,000	6,350	14.46%	6,350	

Note 1: Please refer to Appendixes 7 and 8 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, 2021

Appendix 4

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

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
	Beneficiary certificate													
AP Memory Technology Corporation and Zentel Electronics Corp.	CTBC Hwa-win Money Market Fund	Current financial assets at fair value through profit or loss – Current	-	-	30,643,340	$ 340,371	-	$ -	30,643,340	$ 340,764	$ 340,371	$ 393	-	$ -
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	340,145	-		26,889,131	340,672	340,145	527	-	-
											-			

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.

Note 4: The paid-in capital refers to the paid-in capital of the parent. Where the issuer's shares are denominated or the par value is not NT$10, the paid-in capital shall be calculated as 10% of the parent's equity on the balance sheet and the rule of having 20% of paid-in capital shall be discarded accordingly.

AP Memory Technology Corporation and 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, 2021

Appendix 5

(In Thousands of New Taiwan Dollars
Unless Specified Otherwise

Company name	Related party	Nature of relationship	Transaction details				Abnormal transactions (Note 1)		Notes/ accounts payable or receivable		Remarks
			Purchase/ sale	Amount	% to total	Payment terms	Unit price	Payment terms	Balance	% to total	
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	Sub-subsidiary	Sale	($ 1,427,563)	(21.53%)	OA 30 day	$ -	-	$ 97,700	11.42%	Note 2
AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	Subsidiary	Sale	(226,795)	(3.42%)	OA 30 day	-	-	10,710	1.25%	Note 2

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

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

Note 3: The paid-in capital refers to the paid-in capital of the parent. Where the issuer's shares are denominated or the par value is not NT$10, the paid-in capital shall be calculated as 10% of the parent's equity on the balance sheet and the rule of having 20% of paid-in capital shall be discarded accordingly.

AP Memory Technology Corporation and Subsidiaries

Intercompany Relationships and Significant Intercompany Transactions

For the year ended December 31, 2021

Appendix 6

(In Thousands of New Taiwan Dollars Unless Specified Otherwise)

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	$ 62,346	Note 5	0.94%
0	AP Memory Technology Corporation	AP Memory Corp, USA	(1)	Other payables	14,532	Note 5	0.23%
0	AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	(1)	Operating revenue	226,795	Note 5	3.43%
0	AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	(1)	Accounts receivable	10,710	Note 5	0.17%
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(1)	Operating revenue	1,427,563	Note 5	21.57%
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(1)	Accounts receivable	97,700	Note 5	1.56%
1	AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited	(3)	Revenue from the rendering of services	89,264	Note 5	1.35%
1	AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited .	(3)	Accounts receivable	5,135	Note 5	0.08%

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

(1) Parent company: “0”.

(2) Subsidiaries: are numbered starting from “1”.

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

(1) Parent company to subsidiary;

(2) Subsidiary to parent company;

(3) Subsidiary to subsidiary.

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

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

Note 5: 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, 2021

Appendix 7

(In Thousands of New Taiwan Dollars Unless Specified Otherwise)

Investor	Investee	Location	Main business activities	Original investment amount		Balance at the end of the year			Net income of the investee (Note 2)	Investment profit or loss recognized in the year (Note 2)	Remarks
				At the end of the year	At the end of last year	Number of shares	% of ownership	Carrying amount (Notes 1 and 3)			
AP Memory Technology Corporation	AP Memory Corp, USA	Suite 251,BG Plaza,3800 S.W. Cedar Hills Blvd, Beaverton OR. 97005, USA	IC research and development services	$ 60,521 (USD 2,000,000)	$ 60,521 (USD 2,000,000)	2,000,000	100%	$ 33,855	($ 10,806) (USD(385,793))	($ 10,806)	Subsidiary
	Zentel Electronics Corp.	10F-1, No. 1, Taiyuan 1st St., Zhubei City, Hsinchu County	IC research, development and sales	306,798	705,798	100,000	100%	75,784	5,631	5,631	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%	87,123	42,061	12,618	Associate
	APware Technology Corp.	Suite 102, Cannon Place, North Sound Rd., George Town, Grand Cayman, Cayman Islands	IC design, development and sales	-	-	-	100%	-	-	-	Subsidiary (Note 3)
AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited	Rm.19C,Lockhart Ctr.,301-307 Lockhart Rd.,Wan Chai, Hong Kong.	Sale of ICs	275 (USD 10,000)	-	10,000	100%	5,377	5,152 (USD 183,947)	$ 5,152	Subsidiary (Note 4)

Note 1: Based on the exchange rate at December 31, 2021.

Note 2: Based on the average exchange rate for the year ended December 31, 2021.

Note 3: To develop into operational deployment planning, the Group established the subsidiary “APware Technology Corp.” in October 2021 in Cayman Island. However, the Group has not invested in capital therein yet.

Note 4: To develop into 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.; and invested capital therein in June 2021.

AP Memory Technology Corporation and Subsidiaries

Information on investments in Mainland China

For the year ended December 31, 2021

Appendix 8

(In Thousands of New Taiwan Dollars Unless Specified Otherwise)

Investee	Main business activities	Paid-in capital (Note 1)	Investment method	Accumulated investment outflow from Taiwan at the beginning of the year	Investment flows		Accumulated investment outflow from Taiwan at the end of the year (Note 1)	Net income of the investee (Note 3)	The Corporation's direct or indirect shareholding	Investment profit or loss recognized in the year (Notes 3 and 5)	Carry amount of the investment at the end of the year (Notes 4 and 5)	Inward investment benefits at the end of the year
					Outflow	Inflow						
AP Memory Technology (Hangzhou) Limited Co.	IC research, development and sales	58,009 (USD 2,000,000)	Note 3	30,344 (USD 1,000,000)	27,665 (USD 1,000,000)	-	58,009 (USD 2,000,000)	77,581 (RMB17,871,671)	100%	77,581	132,719	-

Accumulated Investment in Mainland China at the end of the year	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$58,009 (USD2,000,000)	$58,009 (USD2,000,000)	$2,876,973 (Note 6)

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

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

Note 3: Based on the average exchange rate of 2021.

Note 4: Based on the exchange rate at December 31, 2021.

Note 5: The calculation is based on the parent company's (Taiwan) CPA-certified financial statements prepared for the same fiscal year.

Note 6: The calculation is made based on 60% of the Corporation's net value at December 31, 2021 in accordance with Letter Ching-Shen-Tzu No. 09704604680 issued by the Ministry of Economic Affairs.

Note 7: Relevant transactions have been eliminated in the consolidated financial statements.

AP Memory Technology Corporation

Information on Major Shareholders

December 31, 2021

Appendix 9

Name of major shareholders	Shares	
	No. of shares	Percentage of ownership
Shanyi Investment Co.,Ltd.	26,456,668	17.77%

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

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual 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 as of December 31, 2021 and 2020, and the parent company only statements of comprenehsive 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, 2021 and 2020, 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 parent company only financial statements for the year ended 2021. 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.

The key audit matters of the Corporation's parent company only financial statements for the year ended 2021 are described as follows:

<u>Sales Revenue from Specific Customers</u>

The sales revenue of AP Memory Technology Corporation was $6,206,697 thousand in 2021. The revenue from sales to some customers, which increased significantly comparing with the previous year, counts for a large portion of the total sales revenue and is therefore determined as one of the key audit matters.

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

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

Responsibilities of Management and Those Charged with Governance for the 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 2021 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.

The engagement partners on the audit resulting in this independent auditors' report are Ming-Yen Chien and Cheng-Chun Chiu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 25, 2022

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

AP Memory Technology Corporation

Parent Company Only Balance Sheet

As of December 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020	
Assets	Amount	%	Amount	%
Current assets				
Cash and cash equivalents (Notes 4 and 6)	$ 2,303,832	37	$ 225,802	6
Valuation gain on financial assets at fair value through profit or loss - Current (Notes 4, 7 and 27)	-	-	180,197	5
Financial assets at amortized cost - Current (Notes 4, 8 and 29)	2,763	-	2,744	-
Accounts receivable (Notes 4, 9 and 20)	740,801	12	556,225	15
Accounts receivable from related parties (Notes 4, 9, 20 and 28)	110,246	2	200,474	5
Current tax assets	-	-	14,836	-
Other receivables (Notes 4 and 9)	38,095	-	401,081	10
Inventories (Notes 4 and 10)	1,696,402	27	624,862	16
Other current assets (Note 15)	7,015	-	1,009	-
Total current assets	4,899,154	78	2,207,230	57
Non-current assets				
Valuation gain on financial assets at fair value through profit or loss- Non-current (Notes 4, 5, 7 and 27)	141,989	2	68,016	2
Investments accounted for using equity method (Notes 4 and 11)	329,481	5	1,103,817	29
Property, plant and equipment (Notes 4 and 12)	80,347	1	5,723	-
Right-of-use assets (Notes 4 and 13)	97,499	2	40,955	1
Other intangible assets (Notes 4 and 14)	6,098	-	13,973	-
Deferred income tax assets (Notes 4 and 22)	25,486	1	78,811	2
Prepayments for business facilities	-	-	1,869	-
Refundable deposits (Notes 17 and 30)	464,609	8	208,194	6
Other non-current assets (Note 15)	205,876	3	122,764	3
Total non-current assets	1,351,385	22	1,644,122	43
Total assets	$ 6,250,539	100	$ 3,851,352	100
Liabilities and equity				
Current liabilities				
Short-term loans (Note 16)	$ -	-	$ 85,140	2
Contract liabilities (Notes 4 and 20)	172,570	3	-	-
Accounts payable	600,046	10	228,188	6
Other payables (Note 17)	153,178	2	305,268	8
Other payables from related parties (Note 28)	14,532	-	15,843	1
Current tax liabilities	387,146	6	71,602	2
Lease liabilities－Current (Notes 4 and 13)	40,872	1	15,696	-
Other current liabilities (Note 17)	3,392	-	1,726	-
Total current liabilities	1,371,736	22	723,463	19
Non-current liabilities				
Deferred tax liabilities(Notes 4 and 22)	19,278	-	233	-
Lease liabilities - Non-current (Notes 4 and 13)	50,570	1	24,686	-
Guarantee deposits received	14,000	-	-	-
Total non-current liabilities	83,848	1	24,919	-
Total liabilities	1,455,584	23	748,382	19
Equity (Notes 4, 19 and 24)				
Share capital				
Ordinary share	744,136	12	742,316	19
Advance receipts for ordinary share	2,861	-	532	-
Total shares	746,997	12	742,848	19
Capital surplus	1,054,788	17	1,020,722	27
Retained earnings				
Legal reserve	364,163	6	282,992	8
Special reserve	-	-	4,576	-
Unappropriated retained earnings	2,631,525	42	1,053,036	27
Total retained earnings	2,995,688	48	1,340,604	35
Other equity interest	8,728	-	10,042	-
Treasury shares	(11,246)	-	(11,246)	-
Total equity	4,794,955	77	3,102,970	81
Total liabilities and equity	$ 6,250,539	100	$ 3,851,352	100

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

AP Memory Technology Corporation

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

	2021		2020	
	Amount	%	Amount	%
Operating revenue (Notes 4, 20 and 28)	$ 6,461,280	100	$ 3,535,263	100
Operating costs (Notes 10, 21 and 28)	3,593,354	56	2,549,684	72
Gross profit	2,867,926	44	985,579	28
Operating expense (Notes 4, 9, 21 and 28)				
Selling expense	101,916	2	69,721	2
Administrative expense	166,463	2	85,305	3
Research and development expense	278,473	4	294,269	8
Expected credit/ impairment (gain on reversal of impairment loss) loss	(602)	-	2,086	-
Total operating expense	546,250	8	451,381	13
Net operating income	2,321,676	36	534,198	15
Non-operating income and expense				
Share of profit of subsidiaries and associates accounted for using equity method (Notes 4 and 11)	85,024	1	326,833	9
Interest income (Note 4)	3,110	-	2,038	-
Interest income (Notes 4, 21 and 28)	982	-	25,212	1
Net loss on disposals of investments (Notes 7 and 25)	-	-	(5,078)	-
Net foreign exchange loss (Notes 4, 21 and 31)	(14,849)	-	(44,017)	(1)

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	2021		2020	
	Amount	%	Amount	%
Net gains on financial assets at fair value through profit or loss (Notes 4 and 30)	$ 118,983	2	$ 38,050	1
Interest expense	(1,806)	-	(1,727)	-
Loss on disposals of property, plant and equipment	-	-	(142)	-
Total non-operating income and expense	191,444	3	341,169	10
Income before tax	2,513,120	39	875,367	25
Income tax expense (Notes 4 and 22)	(487,663)	(8)	(63,657)	(2)
Net profit (loss) for the year	2,025,457	31	811,710	23
Other comprehensive income (Notes 4 and 19)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(1,299)	-	(1,832)	-
Share of the other comprehensive income of subsidiaries accounted for using equity method	(15)	-	12,857	-
	(1,314)	-	11,025	-
Other comprehensive income for the year (net of income tax)	(1,314)	-	11,025	-
Total comprehensive income for the year	$ 2,024,143	31	$ 822,735	23
Earnings per share (Note 23)				
Basic	$ 13.67		$ 5.50	
Diluted	$ 13.45		$ 5.42	

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

AP Memory Technology Corporation

Parent Company Only Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

	Share capital (Notes 4, 19 and 24)				Retained earnings (Notes 4 and 19)				Other equity (Notes 4, 19 and 24)				
	Ordinary share	Advance receipts for ordinary share	Total	Capital surplus(Notes 4,19 and 24)	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
Balance at January 1, 2020	$ 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 of the 2019 earnings													
Special reserve	-	-	-	-	-	1,351	(1,351)	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	-	(73,682)	(73,682)	-	-	-	-	(73,682)
Compensation cost for employee share options	-	-	-	10,365	-	-	-	-	-	-	-	-	10,365
Net profit for the year 2020	-	-	-	-	-	-	811,710	811,710	-	-	-	-	811,710
Other comprehensive income after tax for the year 2020	-	-	-	-	-	-	-	-	11,025	-	11,025	-	11,025
Total comprehensive income for the year 2020	-	-	-	-	-	-	811,710	811,710	11,025	-	11,025	-	822,735
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	153,042	-	-	-	-	3,593	-	3,593	-	156,635
Changes in ownership interests in subsidiaries	-	-	-	401	-	-	-	-	-	-	-	-	401
Issuance of ordinary shares under the employee share option plan	3,781	532	4,313	18,526	-	-	-	-	-	-	-	-	22,839
Issuance of restricted stock awards (RSAs) by the Corporation	-	-	-	-	-	-	-	-	-	1,120	1,120	-	1,120
Balance at December 31, 2020	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
Appropriation of the 2020 earnings													
Legal reserve	-	-	-	-	81,171	-	(81,171)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(4,576)	4,576	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	-	(370,373)	(370,373)	-	-	-	-	(370,373)
Compensation cost for employee share options	-	-	-	25,465	-	-	-	-	-	-	-	-	25,465
Net profit for the year 2021	-	-	-	-	-	-	2,025,457	2,025,457	-	-	-	-	2,025,457
Other comprehensive income after tax for the year 2021	-	-	-	-	-	-	-	-	(1,314)	-	(1,314)	-	(1,314)
Total comprehensive income for the year 2021	-	-	-	-	-	-	2,025,457	2,025,457	(1,314)	-	(1,314)	-	2,024,143
Issuance of ordinary shares under the employee share option plan	1,820	2,329	4,149	8,601	-	-	-	-	-	-	-	-	12,750
Balance at December 31, 2021	$ 744,136	$ 2,861	$ 746,997	$1,054,788	$ 364,163	$ -	$2,631,525	$2,995,688	$ 8,728	$ -	$ 8,728	($ 11,246)	$4,794,955

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

AP Memory Technology Corporation

Parent Company Only Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

	2021	2020
Cash flow from operating activities		
Income before tax for the year	$ 2,513,120	$ 875,367
Adjustments to reconcile profit (loss)		
Depreciation expense	43,001	13,814
Amortization expense	14,439	16,403
Expected credit/ impairment (gain on reversal of impairment loss) loss	(602)	2,086
Valuation gain on financial assets at fair value through profit or loss	(118,983)	(38,050)
Interest expense	1,806	1,727
Interest income	(3,110)	(2,038)
Dividend income	(503)	(155)
Cost of share-based payment	20,135	11,917
Share of profit (loss) of subsidiaries and associates accounted for using equity method	(85,024)	(326,833)
Loss on disposal and scrap of property, plant and equipment	-	142
Gains on disposal of associates accounted for using equity method	-	(461)
Loss of inventory falling price and slow-moving inventory	63,481	26,333
Reversal of (reserve for) unrealized loss on transaction with associates	-	9,728
Unrealized foreign exchange loss (gain)	(24,446)	24,645
Loss on disposal of subsidiaries	-	5,539
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	225,207	(134,192)
Accounts receivable	(91,907)	(516,817)
Other receivables	383,337	(1,374)
Inventories	(1,135,021)	324,657
Prepayment	(89,037)	(7,847)
Other current assets	(81)	431
Refundable deposits	(243,440)	-
Contract liabilities	172,570	-
Accounts payable	373,870	(180,946)

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	2021	2020
Other payables	($ 153,094)	($ 24,147)
Other current liabilities	1,251	(1,375)
Cash inflow (outflow) generated from operations	1,866,969	78,554
Interest received	3,030	2,014
Dividend received	503	155
Interest paid	(1,808)	(1,806)
Income taxes paid	(84,913)	(160)
Net cash inflow (outflow) generated from operating activities	1,783,781	78,757
Cash flows from investing activities		
Acquisition of investment accounted for using equity method	-	(500)
Proceeds from disposal of subsidiaries	-	6,946
Purchase of property, plant and equipment	(88,055)	(3,107)
Decrease (increase) in refundable deposits	(12,975)	(4,761)
Acquisition of intangible assets	(6,564)	(1,518)
Increase in prepayments for business facilities	-	(1,869)
Dividends received from associates and subsidiaries	492,041	107,740
Net cash flows from investing activities	384,447	102,931
Cash flows from (used in) financing activities		
Decrease in short-term loans	(85,140)	(114,860)
	14,000	-
Payment of lease liabilities	(32,770)	(7,347)
Cash dividend paid	(370,373)	(73,682)
Exercise of employee share options	12,750	22,839
Acquisition of ownership interests in subsidiaries (Note 11)	(27,665)	-
Disposal of ownership interests in subsidiaries	399,000	-
Net cash from financing activities	(90,198)	(173,050)
Net increase in cash and cash equivalents	2,078,030	8,638
Cash and cash equivalents at the beginning of the year	225,802	217,164
Cash and cash equivalents at the end of the year	$ 2,303,832	$ 225,802

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

AP Memory Technology Corporation

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2021 and 2020

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

1. General Information

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

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

The parent company only financial statements are presented in the Corporation's functional currency, the New Taiwan dollar.

2. Approval of Financial Statements

The parent company only financial statements were approved by the Corporation's board of directors on February 25, 2022.

3. Application of New Amended and Revised Standards and Interpretation

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

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

(2) Applicable IFRSs endorsed by FSC in 2022

Newly released, amended or revised standards and interpretations	Effective date issued by IASB
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022 (Note 1)
Reference to the Conceptual Framework (Amendments to IFRS 3)	January 1, 2022 (Note 2)
Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)	January 1, 2022 (Note 3)
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	January 1, 2022 (Note 4)

Note 1: 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 2: 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 3: 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 4: 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.

As of the publication 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.

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

Newly released, amended or revised standards and interpretations	Effective date issued by IASB (Note 1)
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Undefined
IFRS 17 Insurance Contract	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Initial application of IFRS 17 and IFRS 9 — Comparative information (Amendments to IFRS 17)	January 1, 2023
Classifying liabilities as current or non-current (Amendments to IAS 1)	January 1, 2023
Disclosure of Accounting Policies (Amendments to IAS 1)	January 1, 2023 (Note 2)
Definition of Accounting Estimates (Amendment to IAS 8)	January 1, 2023 (Note 3)
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023 (Note 4)

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

Note 2: The effective date of the amendment shall be delayed to annual reporting periods beginning on or after January 1, 2023.

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

Note 4: Except for leases and decommissioning obligations related temporary differences that are recognized as deferred tax on January 1, 2022, amendments are applicable to transactions incurred during annual reporting period beginning on or after January 1, 2022.

As of the publication 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

(1) 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.

(2) 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:

A. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

B. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

C. Level 3 inputs are unobservable inputs for the asset or liability.

When preparing these 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 parent company only 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.

(3) Classification of current and non-current assets and liabilities

Current assets include:

A. Assets held primarily for the purpose of trading;

B. Assets expected to be realized within 12 months after the reporting period; and

C. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

A. Liabilities held primarily for the purpose of trading;

B. Liabilities due to be settled within 12 months after the reporting period, and

C. Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

(4) Foreign currencies

In preparing the Corporation's 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.

(5) Inventories

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

(6) Investments in subsidiaries

The Corporation uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Corporation.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the Corporation's share of equity of subsidiaries attributable to the Corporation.

Changes in the Corporation's ownership interest in subsidiary that do not result in the Corporation losing control of the subsidiary are equity transactions. The Corporation recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Corporation's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the subsidiary), the Corporation continues recognizing its share of further losses.

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

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Corporation loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Corporation had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company only financial statements.

(7) Investment in associates

An associate is an entity over which the Corporation has significant influence and which is neither a subsidiary.

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

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

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

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

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

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

(8) Property, plant and equipment

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

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

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

(9) Intangible assets

A. Intangible assets acquired separately

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

B. Derecognition of intangible assets

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

(10) Impairment of property, plant, equipment, right-of-use assets and intangible assets

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

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

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

(11) Financial instruments

Financial assets and financial liabilities are recognized in 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.

A. 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.

(a) Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with dividends, interest and any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 27.

(b) Financial assets at amortized cost

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

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

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

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

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

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

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

b. Impairment of financial assets

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

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

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

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

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

c. Derecognition of financial assets

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

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

B. Equity instruments

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

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

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

C. Financial liabilities

a. Subsequent measurement

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

b. Derecognition of financial liabilities

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

(12) Revenue recognition

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

A. Revenue from the sale of goods

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

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

B. Revenue from the rendering of services

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

C. Revenue from licensing

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

(13) Leases

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

<u>The Corporation as lessee</u>

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.

(14) Employee benefits

A. Short-term employee benefits

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

B. Retirement benefits

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

(15) Share-based payment arrangements

A. Equity-settled employee share options offered to employees

The fair value at the grant date of the employee share options and RSAs 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.

The Corporation's issuance of RSAs is based on the other equity (unearned compensation cost) on the grant date, with a corresponding adjustments to capital surplus – RSAs.

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.

B. Equity-settled employee share options offered to subsidiaries' employees

The fair value at the grant date of the equity-settled employee share options, which is deemed as the Corporation's investment in subsidiaries, is recognized as an increase in the carrying amount of investment in subsidiaries over the vesting period with a corresponding adjustment to capital surplus – employee share options.

(16) Income taxes

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

A. Current tax

The laws of the Republic of China are adopted to conclude the Corporation's current income, on which the payable (recoverable) income tax is then calculated based.

According to the Republic of China Income Tax Law, an additional tax of unappropriated earnings is recognized in current tax in the year of approval by the shareholders' meeting resolution.

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

B. Deferred tax

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

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

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

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

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

C. Current and deferred taxes for the year

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

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

Fair value measurements and valuation process

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

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

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

For detailed information about fair value valuation techniques, please refer to Notes 7 and 27.

6. Cash and Cash Equivalents

	December 31, 2021	December 31, 2020
Cash on hand	$ 30	$ 30
Demand deposits	953,802	225,772
Cash equivalents (investments with original maturities of three months or less)		
Time deposits	1,350,000	-
	$ 2,303,832	$ 225,802

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

	December 31, 2021	December 31, 2020
Bank deposit	0.001%～0.05%	0.001%～0.05%
Time deposits	0.05%～0.4%	-

7. Financial Instruments at FVTPL

	December 31, 2021	December 31, 2020
Financial Assets－ Current		
Non-derivative financial assets		
－Trust fund beneficiary certificates	$ -	$ 180,197
Financial assets - Non-current		
Non-derivative financial assets		
- Foreign unlisted (non-OTC) stocks		
Haining Changmeng Tachnology Partnership Enterprise (Limited Partnership) (1)	$ 123,638	$ 27,243
- Domestic listed (OTC) stocks		
Powerchip Semiconductor Manufacturing Corp. (2)	12,001	-
- Domestic emerging stocks		
Powerchip Semiconductor Manufacturing Corp. (2)	-	39,984
- Domestic unlisted (non-OTC) stocks		
GeneASIC Technologies Corporation (3)	6,350	789
	$ 141,989	$ 68,016

(1) The Corporation signed an investment agreement with Haining Changmeng Tachnology Partnership Enterprise (Limited Partnership) (hereinafter referred to as Haining Changmeng) in August 2019. With a total investment of RMB6,900 thousand (24.64%), the Corporation does not have the ability to influence relevant activities and therefore does not have relevant significant influence. As of December 31, 2021, the Corporation has contributed 24.64% of the total paid-in capital.

(2) The Corporation acquired 1,500 thousand ordinary shares of Powerchip Semiconductor Manufacturing Corp. (hereinafter referred to as PSMC), counting 0.048% of Powerchip's issued shares, in August 2019 at the price of $15,150 thousand. Later in June 2021, August 2021 and June 2020, the Corporation sold 250,000, 451,000 and 700,000 shares at $16,713 thousand, $30,809 thousand and $15,775 thousand; and produced realized benefits amounted at $14,188 thousand, $26,253 thousand and $8,705 thousand, respectively. The Corporation also purchased 70 thousand shares newly issued by 2021 in April 2021 and the investment amount thereof was $2,782 thousand. As of December 31, 2021, the Corporation possesses 0.005% of PSMC's shares.

(3) In August 2020, the Corporation acquired 500 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. Besides, as the Corporation did not purchase new shares issued by GeneASIC for capital increase in August 2021, its shareholding ratio reduced to 14.46. As of December 31, 2021, the Corporation possesses 14.46% of GeneASIC's shares.

8. Financial Assets at Amortized Cost

	December 31, 2021	December 31, 2020
Current		
Time deposits with the original maturity of more than 3 months.	$ 2,763	$ 2,744

Please refer to Note 29 for information relating to investments

9. Accounts Receivable and Other Receivables

	December 31, 2021	December 31, 2020
Accounts receivable (1)		
Measured at amortized cost		
Gross carrying amount	$ 742,285	$ 558,311
Less: Allowance for impairment loss	(1,484)	(2,086)
	$ 740,801	$ 556,225
Accounts receivable from related parties (1)		
Measured at amortized cost	$ 110,246	$ 200,474
Other receivables (2)		
Tax receivable	$ 34,257	$ 19,198
Loans receivable		
Fixed interest rate	-	381,523
Others	3,838	360
	$ 38,095	$ 401,081

(1) 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 as assessed by the Corporation based on provision matrix:

December 31, 2021

	Not past due	Due in 1 – 30 days	Due in 31 – 60 days	Due in 61 – 90 days	Due in 91 – 180 days	Due in 181 – 360 days	Due in more than 361 days	Total
Gross carrying amount	$ 668,713	$ 168,782	$ 14,209	$ -	$ -	$ -	$ 827	$ 852,531
Impairment loss allowance (lifetime ECL)	(120)	(201)	(336)	-	-	-	(827)	(1,484)
Amortized cost	$ 668,593	$ 168,581	$ 13,873	$ -	$ -	$ -	$ -	$ 851,047

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 361 days	Total
Gross carrying amount	$ 681,610	$ 39,298	$ 35,075	$ -	$ 2,802	$ -	$ -	$ 758,785
Impairment loss allowance (lifetime ECL)	-	-	-	-	(2,086)	-	-	(2,086)
Amortized cost	$ 681,610	$ 39,298	$ 35,075	$ -	$ 716	$ -	$ -	$ 756,699

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

	2021	2020
Balance at the beginning of the year	$ 2,086	$ -
Add: Impairment loss recognized for the year	-	2,086
Less: Impairment loss reversed for the year	(602)	-
Cash at the end of the year	$ 1,484	$ 2,086

(2) 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, 2021: None) :

	December 31, 2020
Fixed-rate loans receivable	
No more than 1 year	$ 381,523

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

	December 31, 2021	December 31, 2020
Finished goods	$ 212,581	$ 156,371
Work-in-process goods	659,230	263,186
Raw materials	824,591	205,305
	$ 1,696,402	$ 624,862

The costs of inventories recognized as cost of goods sold for the year ended December 31, 2021 and 2020 were $3,593,354 thousand and $2,549,684 thousand, respectively.

The costs of goods sold, including loss on disposal and scrap of property, plant and equipment, for the year ended December 31, 2021 and 2020 were $63,481 thousand and $26,333 thousand, respectively.

11. Investments Accounted for Using Equity Method

	December 31, 2021	December 31, 2020
Investments in subsidiaries	$ 242,358	$ 1,023,912
Investments in associates	87,123	79,905
	$ 329,481	$ 1,103,817

(1) Investments in subsidiaries

	December 31, 2021	December 31, 2020
AP Memory Corp, USA (hereinafter referred to as "AP-USA")	$ 33,855	$ 43,245
AP MEMORY HOLDING Co., Ltd. (hereinafter referred to as "AP-HOLDING")	-	-
Zentel Electronics Corp. (hereinafter referred to as "Zentel Electronics")	75,784	955,794
AP Memory Technology (Hangzhou) Limited Co. (hereinafter referred to as "AP Hangzhou")	132,719	24,873
AP Memory Japan G.K. (hereinafter referred to as "AP Japan")	-	-
APware Technology Corp. (hereinafter referred to as APware)	-	-
	$ 242,358	$ 1,023,912

	Proportion of ownership interests and voting rights	
	December 31, 2021	December 31, 2020
AP-USA	100%	100%
AP-HOLDING	-	-
Zentel Electronics	100%	100%
AP Hangzhou	100%	100%
AP Japan	-	-
APware	100%	-

Please refer to Note 32 and Appendixes 5 and 6 for the Corporation's indirectly held investments in subsidiaries.

A. Established in State of Oregon of the United States in February 2012, AP-USA mainly engages in the research and development of integrated circuits (ICs). As of February 25, 2022, the Corporation already contributed US$2,000 thousand of capital thereto.

B. To cope with the projected growth of reinvestment business and to develop into operational deployment planning, the Corporation established the 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.

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% 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 $441,040 thousand via cash consideration in accordance with Business Mergers And Acquisitions Act. Up until now, the Corporation already purchased the full equity of Zentel Electronics. Zentel Electronics engages in the design, development and sale of ICs. To plan the operations and enhance the capital use efficiency of Zentel Electronics, the Corporation has reduced capitalization and returned the share money of $399,000 thousand on July 30, 2021. As of February 25, 2022, Zentel Electronics’ paid-in capital is $1,000 thousand.

D. Established in Hangzhou in December 2017, AP Hangzhou mainly engages in the design, development and sale of ICs. In 2021, the Corporation contributed US$1,000 thousand of capital thereto. As of February 25, 2022, AP Hangzhou’s paid-in capital is amounted US$2,000 thousand

E. To cope with the projected growth of reinvestment business and to develop into operational deployment planning, the board of directors has adopted the resolution of establishing the subsidiary “APware Technology Corp.” (hereinafter referred to as APware) in Cayman Islands on October 15, 2021; and APware, which engages in IC design, development and sales, was established in October 2021. As of February 25, 2022, the Corporation has not invested capital therein yet.

F. 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 in 2021 and 2020 are recognized based on subsidiaries' CPA audited parent company only financial statements during the same reporting period.

(2) Investments in associates

	December 31, 2021	December 31, 2020
Individually insignificant associates		
Lyontek Inc. (hereinafter referred to as "Lyontek")	$ 87,123	$ 79,905

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

	2021	2020
Shares held by the Corporation		
Net profit for the year	$ 12,618	$ 4,948
Total comprehensive income	$ 12,618	$ 4,948

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
Cost					
Balance at January 1, 2021	$ 68,595	$ 6,924	$ 2,120	$ 5,375	$ 83,014
Addition	76,802	3,383	83	7,787	88,055
Internal transfer	-	-	-	1,869	1,869
Balance at December 31, 2021	145,397	10,307	2,203	15,031	172,938
Accumulated depreciation					
Balance at January 1, 2021	65,083	5,995	2,024	4,189	77,291
Depreciation expense	11,795	1,552	124	1,829	15,300
Disposal	-	-	-	-	-
Balance at December 31, 2021	76,878	7,547	2,148	6,018	92,591
Carrying amounts at December 31, 2021	$ 68,519	$ 2,760	$ 55	$ 9,013	$ 80,347

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	Machinery and equipment	Computer and communications equipment	Office equipment	Leasehold improvement	Total
Cost					
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
Accumulated depreciation					
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

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

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

13. Lease Agreements

(1) Right-of-use assets

	December 31, 2021	December 31, 2020
Carrying amounts of right-of-use assets		
Building	$ 14,615	$ 7,338
Machinery and equipment	82,884	33,617
	$ 97,499	$ 40,955

	2021	2020
Increase of the right-of-use assets	$ 84,245	$ 38,169
Depreciation expense of the right-of-use asset		
Building	$ 7,415	$ 5,597
Machinery and equipment	20,286	1,159
	$ 27,701	$ 6,756

(2) Lease liabilities

	December 31, 2021	December 31, 2020
Carry amounts of lease liabilities		
Current	$ 40,872	$ 15,696
Non-current	$ 50,570	$ 24,686

The discount rate intervals of lease liabilities are as follows:

	December 31, 2021	December 31, 2020
Building	1.8%~2%	1.68%
Machinery and equipment	1.8%	1.8%

(3) Other lease information

	2021	2020
Expense relating to short-term leases	$ 2,626	$ 2,538
Total cash (outflow) for leases	($ 37,108)	($ 10,100)

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

14. Other Intangible Assets

	Computer software
Cost	
Balance at January 1, 2021	$ 48,600
Separate acquisition	6,564
Balance at December 31, 2021	55,164
Accumulated amortization	
Balance at January 1, 2021	34,627
Amortization expense	14,439
Balance at December 31, 2021	49,066
Carrying amounts at December 31, 2021	$ 6,098

	Computer software
Cost	
Balance at January 1, 2020	$ 47,082
Separate acquisition	1,518
Balance at December 31, 2020	48,600
Accumulated amortization	
Balance at January 1, 2020	18,224
Amortization expense	16,403
Balance at December 31, 2020	34,627
Carrying amounts at December 31, 2020	$ 13,973

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

Computer software	3 years

15. Other Assets

	December 31, 2021	December 31, 2020
Current		
Temporary payments	$ 485	$ 404
Others	6,530	605
	$ 7,015	$ 1,009
Non-current		
Masks and probe cards	$ 182,884	$ 122,764
Prepayment for bonus	22,992	-
	$ 205,876	$ 122,764

16. Loans

Short-term loans (December 31, 2021: None)

	December 31, 2020
Unsecured loan	
Line of credit loan	$ 85,140

The valid annual interest rate on unsecured loan at December 31, 2020 was 0.72%.

17. Other Liabilities

	December 31, 2021	December 31, 2020
Current		
Other payables		
Payable for employees' compensation	$ 93,658	$ 36,649
Payable for salaries and bonuses	33,797	30,636
Payable for board directors' remuneration	8,000	9,000
Payable for compensated absences	6,426	3,688
Payable for labor and national health insurance	2,316	1,473
Payable for pension	2,095	1,508
Payable for labor costs	2,081	1,268
Payable for masks and probe cards	625	20,737
Payable for the customer complaint compensation(1)	-	195,435
Others	4,180	4,874
	$ 153,178	$ 305,268
Other liabilities		
Advance receipts	$ 2,557	$ 1,724
Others	835	2
	$ 3,392	$ 1,726

(1) 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. Related liabilities have been paid off in December 2021.

18. 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.

19. Equity

(1) Share capital

Ordinary shares

	December 31, 2021	December 31, 2020
Number of shares authorized (in thousands)	200,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	148,827	74,231
Shares issued	$ 744,136	$ 742,316
Advance receipts for ordinary share	$ 2,861	$ 532

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

Such change to the Corporation's share capital was resulted from the exercise of employee stock options (ESO).

For years ended in December 31, 2021 and 2020, the Corporation still needs to issue new shares for exercised 38,000 and 12,000 stock options. The exercise price received thereby are $2,861 thousand and 532 thousand, respectively; and the said amounts are recognized as advance receipts for ordinary share.

B. Issuance of GDRs

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

(2) Capital surplus

	December 31, 2021	December 31, 2020
May be used to offset a deficit, distributed as cash dividends or transferred to share capital (1)		
Arising from issuance of ordinary shares	$ 633,916	$ 625,315
Exercised and invalid employee share options	184,275	180,740
Difference between consideration and carrying amount of subsidiaries acquired or disposed	153,042	153,042
Acquired RSAs	47,595	47,595
	1,018,828	1,006,692

May be used to offset a deficit only(2)		
SEO for employee share options	467	467
Changes in subsidiaries' ownership interests recognized using the equity method	401	401
	868	868
May not be used for any purpose		
Employee share options	35,092	13,162
	$ 1,054,788	$ 1,020,722

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

B. Capital surplus generated from 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.

(3) Retained earnings and dividend policy

The Corporation's Articles of Incorporation state that any earnings received by the Corporation in the fiscal year shall be used to pay taxes and offset accumulated deficits first; have 10% thereof set aside as legal reserve; and then recognize or reverse the remaining amount as a special reserve as prescribed by law. The board of directors shall draft an earnings distribution proposal for the remaining earnings together with unappropriated earnings accumulated over the years. The said surplus earnings may be distributed in the form of new shares after a resolution has been adopted by the shareholders' meeting; or in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors and been reported to the shareholders' meeting. With respect to the policy of distributing employees' compensation and board directors' remuneration as prescribed in the Corporation's Articles of Incorporation, please refer to "Employees' Compensation and Board Directors' Remuneration" in Note 21(4).

Considering the Corporation's environment and growth stage, dividends may be distributed in cash or in stock in response to the future demand for funds and long-term financial plan. Among them, the proportion of cash dividends shall not be less than 20% of the dividends distributed to shareholders.

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

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

The Corporation's distribution of earnings for 2020 and 2019 is as follows:

	2020	2019
Legal reserve	$ 81,171	$ -
Special reserve (reversal) set aside	($ 4,576)	$ 1,351
Cash dividends	$ 370,373	$ 73,682
Dividends per share (NT$)	$ 5.0	$ 1.0

The above cash dividends have been approved by board of directors on March 12, 2021 and April 30, 2020; and the proposed appropriation of the rest earnings has been adopted at shareholders' meeting on August 20, 2021 and June 15, 2020, respectively.

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

The Corporation's appropriation of earnings for 2021 proposed by the board of directors on February 25, 2022 is as follows:

	2021
Legal reserve	$ 202,546
Special reserve (reversal) set aside	$ 968,275
Cash dividends	$ 6.0

The above cash dividends have been approved by the board of directors, whereas the appropriation of rest earnings will be finalized at the shareholders' meeting to be held on May 27, 2022.

(4) Other equity

A. Exchange differences on translation of foreign financial statements

	2021	2020
Balance at the beginning of the year	$ 10,042	($ 4,576)
In respect of the current year		
Exchange differences on translating the financial statements of foreign operations	(1,299)	(1,832)
Share of the other comprehensive income of subsidiaries accounted for using equity method	(15)	36
Reclassification adjustment		
Disposal of foreign operations	-	12,821
Other comprehensive income for the year	(1,314)	11,025
Disposal of subsidiaries' partial equity	-	3,593
Cash at the end of the year	$ 8,728	$ 10,042

B. Unearned compensation cost (2021: None)

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

	2020
Balance at the beginning of the year	($ 1,120)
Expense recognized as share-based payment	1,120
Cash at the end of the year	$ -

(5) Treasury shares

Purpose of redemption	Shares transferred to employees (in thousands of shares)
2021	
Number of shares at the beginning of the year	258
Increase during the year – change in par value	258
Number of shares at the end of the year	516
2020	
Number of shares at the beginning and end of the years	258

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. The Corporation is expected to write off the aforesaid shares before March 2022.

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

20. Revenue

	2021	2020
Revenue from contracts with customers		
Revenue from the sale of goods	$ 6,206,697	$ 3,195,318
Revenue from the rendering of services	127,140	205,816
Revenue Licensing	123,048	76,603
Interest income	4,395	57,526
	$ 6,461,280	$ 3,535,263

(1) Descriptions of contracts with customers

Please refer to Note 4 (12) for more information.

(2) Contract balance

	December 31, 2021	December 31, 2020	January 1, 2020
Accounts receivable (including those from related parties) (Note 9)	$ 851,047	$ 756,699	$ 628,698
Contract liabilities			
Sale of goods	$ 172,570	$ -	$ 184

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:

	2021	2020
From the contract liabilities at the beginning of the year		
Sale of goods	$ -	$ 184

21. Net Profit

(1) Other Revenue

	2021	2020
Dividend income	$ 503	$ 155
Subsidiaries - management service income (Note 28)	-	24,000
Others	479	1,057
	$ 982	$ 25,212

(2) Depreciation and amortization

	2021	2020
Property, plant and equipment	$ 15,300	$ 7,058
Right-of-use assets	27,701	6,756
Other intangible assets	14,439	16,403
	$ 57,440	$ 30,217
Depreciation expense by function		
Cost of sales	$ 31,686	$ 5,366
Operating expense	11,315	8,448
	$ 43,001	$ 13,814
Amortization expense by function		
Cost of sales	$ 153	$ 3,162
Operating expense	14,286	13,241
	$ 14,439	$ 16,403

(3) Employee benefit expense

	2021	2020
Retirement benefit plans (Note 18)		
Defined contribution plans	$ 7,354	$ 5,721
Share-based payment		
Equity settlement	20,135	11,917
Other employee benefits		
Salary expense	357,215	211,341
Labor insurance and national health insurance expense	15,017	9,320
Other employment expense	13,205	8,200
	385,437	228,861
Total employee benefits expense	$ 412,926	$ 246,499

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	2021	2020
Summarized by functions		
Cost of sales	$ 50,482	$ 41,491
Operating expense	362,444	205,008
	$ 412,926	$ 246,499

(4) Employees' compensation and board directors' remuneration

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

The estimation of employees' compensation and directors' remuneration for 2021 and 2020 have been adopted by board of directors on February 25, 2022 and March 12, 2021, respectively, as follows:

Accrual rate

	2021	2020
Employees' compensation	2.86%	3.77%
Board directors' remuneration	0.31%	0.87%

Amount

	2021	2020
Employees' compensation	$ 74,262	$ 34,592
Board directors' remuneration	8,000	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.

No employees' compensation and board directors' remuneration has been estimated for 2019 due to pre-tax loss.

For the year of 2020, there is no difference between the paid amounts of employees compensation and board directors remuneration and the amounts recognized in the 2020 Parent Company Only Financial Statements

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

(5) Exchange difference recognized in profit or loss

	2021	2020
Total exchange gain	$ 63,103	$ 39,039
Total exchange loss	(77,952)	(83,056)
Net loss	($ 14,849)	($ 44,017)

22. Income Taxes

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

	2021	2020
Current income tax		
Expense recognized in the current year	($ 408,630)	($ 71,762)
Unappropriated earnings	(14,477)	-
Adjustments on prior years	7,814	-
	(415,293)	(71,762)
Deferred income tax		
Expense recognized in the current year	(72,370)	(25,786)
Adjustments on prior years	-	33,891
	(72,370)	8,105
Income tax expense recognized in profit or loss	($ 487,663)	($ 63,657)

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

	2021	2020
Income before tax	$ 2,513,120	$ 875,367
Income tax expense at the statutory rate	($ 502,624)	($ 175,073)
Unrecognized tax benefit	21,624	77,525
Income tax adjustments on prior years	7,814	-
Unappropriated earnings	(14,477)	-
Unrecognized deductible temporary differences/ loss carryforwards	-	33,891
Income tax expense recognized in profit or loss	($ 487,663)	($ 63,657)

(2) Deferred income tax assets and liabilities

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

2021

	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	$ 5,162	($ 4,566)	$ 596
Payable for compensated absences	738	548	1,286
Allowance for inventory valuation and obsolescence losses	33,267	(9,663)	23,604
Financial assets at fair value through profit or loss	557	(557)	-
Compensation for loss	39,087	(39,087)	-
	$ 78,811	($ 53,325)	$ 25,486
Deferred income tax assets			
Temporary differences			
Unrealized loss from sale	$ -	$ 18,721	$ 18,721
Exchange gain	233	324	557
	$ 233	$ 19,045	$ 19,278

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
Financial assets at fair value through profit or loss	-	557	557
Compensation for loss	-	39,087	39,087
Loss carryforwards	31,450	(31,450)	-
	$ 74,075	$ 4,736	$ 78,811

	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			
Unrealized loss from sale	$ 1,946	($ 1,946)	$ -
Exchange gain	1,656	(1,423)	233
	$ 3,602	($ 3,369)	$ 233

(3) Income tax assessment

The Corporation's tax returns for income tax through 2019 have been assessed by the tax authorities.

23. Earnings Per Share

Unit: NT$ per share

	2021	2020
Basic earnings per share	$ 13.67	$ 5.50
Diluted earnings per share	$ 13.45	$ 5.42

The effect of changing the par value of shares has been adjusted retrospectively in the calculation of earnings per share. The stock exchange base date was set on October 15, 2021. Due to the said retrospective adjustments, the basic and diluted earnings per share of 2020 are as follows:

Unit: NT$ per share

	Before the retrospective adjustment	After the retrospective adjustment
Basic EPS	$ 11.00	$ 5.50
Diluted EPS	$ 10.84	$ 5.42

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

Net Profit for the year

	2021	2020
Earnings used in the computation of basic and diluted earnings per share	$ 2,025,457	$ 811,710

Number of shares

Unit: 1,000 shares

	2021	2020
Weighted average number of ordinary shares outstanding used in the computation of basic earnings per share	148,148	147,529
Effects of potentially dilutive ordinary shares:		
Arising from employee share options	2,251	1,993
Employee share options	167	163
Restricted stock awards (RSAs)	-	24
Weighted average number of ordinary shares outstanding used in the computation of diluted earnings per share	150,566	149,709

Since the Corporation can offer to settle the bonuses to employees in cash or shares, the Corporation assumes that the entire amount of bonus would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at the meeting in the following year.

24. Share-based Payment Arrangements

(1) Employee share option plan

Grant date	March 12, 2021	September 26, 2020	December 20, 2019	April 26, 2019	November 9, 2018	January 25, 2017	November 30, 2014
Approval date by board of directors	August 7, 2020	August 7, 2020	April 26, 2019	August 8, 2018	August 8, 2018	November 3, 2016	July 7, 2014
Grant unit	69,430	319,000	750,000	8,000	692,000	680,000	1,800,000
Exercise price (NT$) (Notes 1 and 2)	781	333.5	83.7	43.85	44.8	81.70	36.76
Share per unit (Note 2)	1 ordinary share	1 ordinary share	1 ordinary share	1 ordinary share	1 ordinary share	1 ordinary share	1 ordinary share
Granted to	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation and subsidiaries' employees who meet specific requirements	The Corporation's employees who meet specific requirements
Vesting conditions (Note 3)	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 40% 3 years 30% 4 years 30%	3 months 40% 2 years 30% 3 years 30%
Life/ duration (year)	10	10	10	10	10	10	6

After the resolution of amendments to Code of Conduct was adopted at the shareholders' meeting in August 2021, the Corporation has changed the par value per share from $10 to $5; and related exchange procedures were completed in October 2021. Consequently, the exercise price per share of each stock option has been adjusted to 50% of its original exercise price; and the number of exercisable shares has been adjusted from 1 share to 2 shares.

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

Note 2: Where the Corporation changes the par value per share after the issuance of stock options, the exercise price of the option shall be adjusted according to the formula before adjusting the subscription ratio as prescribed. However, with respect to exercised warrant, no retrospective adjustments shall be made accordingly.

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

Information relating to issued employee share options is as follows:

	2021		2020	
Employee share options	Unit	Weighted average exercise prices (NT$)	Uni	Weighted average exercise prices (NT$)
Outstanding at the beginning of the year	1,540,000	$ 123.40	1,773,000	$ 66.47
Offered in the year	69,430	781.00	319,000	333.50
Became invalid in the year	(36,000)	152.80	(173,800)	68.37
Exercised in the year	(182,000)	57.26	(378,200)	58.98
Outstanding at the end of the year	1,391,430	162.99	1,540,000	123.40
Exercisable at the end of the year	239,500	71.41	64,500	47.21
The weighted average fair value of options offered in the year (NT$)	$ 322.04		$ 136.31	

The weighted average price of options exercised in 2021 and 2020 were $564.10 and $351.63, respectively on the exercise day.

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

December 31, 2021			December 31, 2020		
Issue date	Exercise price (NT$)	Weighted average remaining contractual life (year)	Issue date	Exercise price (NT$)	Weighted average remaining contractual life (year)
January 25, 2017	$ 73.18	5.07	January 25, 2017	$ 73.18	6.07
November 9, 2018	44.30	6.86	November 9, 2018	44.30	7.86
April 26, 2019	43.30	7.32	April 26, 2019	43.30	8.32
December 20, 2019	82.90	7.98	December 20, 2019	83.50	8.97
September 26, 2020	331.20	8.74	September 26, 2020	333.50	9.75
March 12, 2021	775.50	9.20			

Employee share options offered by the Corporation in March 2021 and September 2020, respectively, were assessed using the binomial option pricing model. The parameters of the model are as follows:

Year of offering	March 2021	September 2020
Fair value on the offering date	NT$259.14- 374.71	NT$108.79- 161.73
Exercise price	NT$781.00	NT$333.50
Expected volatility	55,64%	54.68%
Expected life	6-7.5 years	6-7.5 years
Expected dividend yield	-	-
Risk-free interest rate	0.40%-0.46%	0.35%-0.38%

Expected volatility 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 2021 and 2020 were $20,135 thousand and $10,797 thousand, respectively. The compensation costs generated from employee share options offered to subsidiaries in 2021 and 2020 were $5,330 thousand and $(432) thousand, respectively.

(2) Restricted stock awards (RSAs)

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

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

A. 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.

B. 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).

C. 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.

The movement in restricted stock awards (RSAs) in 2020 is as follows (2021: None):

	Number of shares (in thousands)
	2020
Outstanding at the beginning of the year	53
Vested in the year	(53)
Balance at the end of the year	-

Compensation costs recognized in 2020 were $1,120 thousand.

25. 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.

(1) Consideration received

	Amount
Cash	$ 6,946

(2) Analysis of assets and liabilities over which the Company lost control

	Amount
Current assets	
Cash	$ 17,135
Others	1,022
Non-current assets	
Property, plant and equipment	11
Others	21
Current liabilities	
Advance receipts	(6,227)
Others	(1,031)
Net assets disposed of	$ 10,931

(3) Loss on disposal of subsidiaries

	Amount
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	($ 5,539)

(4) Net cash inflow from disposal of subsidiaries

	Amount
Consideration received in cash and cash equivalents	$ 6,946
Less: Balance of cash and cash equivalents disposed of	(17,135)
	($ 10,189)

26. 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.

27. Financial Instruments

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

The Corporation considers that the carrying amounts of financial instruments that are not measured at fair value recognized in the parent company only financial statements approximate their fair values.

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

A. Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Equity instrument investment	$ 12,001	$ -	$ 129,988	$ 141,989

December 31, 2020

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

B. Level 3 Reconciliation- Financial Liabilities at FVTPL.

2021

Financial assets	Measured at FVTPL Equity instrument
Balance at the beginning of the year	$ 28,032
Recognized in profit or loss	101,956
Cash at the end of the year	$129,988
Related to assets at the end of the year and current unrealized profit recognized in profit or loss	$ 101,956

2020

Financial assets	Measured at FVTPL Equity instrument
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	$ 28,032
Related to assets at the end of the year and current unrealized profit recognized in profit or loss	$ 29,118

C. Level 3 fair value measurements and inputs

Classification of financial instruments	Valuation techniques and inputs
Domestic and foreign unlisted (non-OTC) stocks	3. Adopted the market approach, where the valuation of companies similar to the investee and investee's recent financing activities are used to measure the fair value thereof. 4. Adopted the asset approach, where the total market value of investee's individual assets and individual liabilities are considered when measuring the fair value thereof.
Derivatives	The fair value of option is measured using binomial option pricing model and Black-Scholes-Merton (BSM) model, where unobservable inputs are adopted to calculate the volatility of share price. When the expected volatility increases, the fair value of that derivative will increase as well.

(3) Classification of financial instruments

	December 31, 2021	December 31, 2020
Financial assets		
At Fair Value Through Profit or Loss (FVTPL)		
Trust fund beneficiary certificates	$ -	$ 180,197
Equity instrument investment	141,989	68,016
Measured at amortized cost (Note 1)	3,626,089	1,575,322
Financial liabilities		
Measured at amortized cost (Note 2)	781,756	634,439

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

Note 2: The balance includes financial liabilities measured at amortized cost, such as short-term loans, accounts payable (including those of related parties), other payables (including those of related parties) and guarantee deposit received.

(4) Financial risk management objectives and policies

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

A. Market risks

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

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

a. Currency risk

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

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

Sensitivity analysis

The Corporation is mainly exposed to the US dollar.

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

	Impact of US dollar	
	2021	2020
Loss (i)	$ 34,377	$ 53,819

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

b. Interest rate risk

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

	December 31, 2021	December 31, 2020
Fair value interest rate risk		
－Financial assets	$ 1,352,763	$ 384,267
－Financial liabilities	91,442	125,522
Cash flow interest rate risk		
－Financial assets	953,802	225,772

Sensitivity analysis

The sensitivity analysis was determined on the basis of the Corporation's exposure to interest rate changes for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of assets and liabilities outstanding during the reporting period had been outstanding for the whole year. Had interest rates been fifty basis points higher and all other variables were held constant, the Corporation's pretax profits would have increased by $4,769 and $1,129 thousand in 2021 and 2020, respectively. Such increase is resulted from the Corporation's variable-rate account.

c. Other price risks

The price risk exposed to the Corporation in 2021 and 2020 through financial assets at FVTPL primarily comes from trust fund beneficiary certificates and equity instrument investment。

Sensitivity Analysis

The following sensitivity analysis is carried out on the equity price on the balance sheet date. Nevertheless, as the beneficiary certificates of funds possessed by the Corporation are money market funds, the price volatility risk thereof is relatively low and is therefore excluded from the sensitivity analysis.

If the equity price increases/decreases by 5%, the Corporation's net profit before tax for 2021 and 2020 will increase/decrease by 7,099 thousand and 3,401 thousand as the financial assets (excluding beneficiary certificates of funds) are measured at fair value through profit and/or loss.

B. Credit risk

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

C. Liquidity risk

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

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

a. Table of liquidity and interest rate risks

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

December 31, 2021

	weighted average effective interest rate (%)	On demand or less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Non-derivative Financial liabilities					
Non-interest bearing current liability	-	$ 765,806	$ 1,950	$ -	$ -
Lease liabilities	1.83	12,527	29,635	51,171	-
		$ 778,333	$ 31,585	$ 51,171	$ -

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
Non-derivative Financial liabilities					
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	-	-	-
		$ 472,537	$ 178,279	$ 25,174	$ -

b. Line of credit

	December 31, 2021	December 31, 2020
Line of		
－Used line of credit	$ -	$ 85,140
－Available line of credit	700,000	714,860
	$ 700,000	$ 800,000

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.

28. Related-Party Disclosures

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

(1) Related parties and their relationships with the Corporation

Name of related parties	Relationship with the Corporation
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)

(2) Operating revenue

Name of related parties	2021	2020
AP Hong Kong	$ 1,427,563	228,678
AP Hangzhou	226,795	144,805
Associates	10,196	(5,591)
Zentel Japan	-	349,866
Zentel Electronics	-	56,071
	$ 1,664,554	$ 773,829

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

(3) Related party purchase (2021: None)

Name of related parties	2020
Zentel Japan	$ 65,467
Zentel Electronics	15,715
	$ 81,182

(4) Accounts receivable from related parties

Name of related parties	December 31, 2021	December 31, 2020
AP Hong Kong	$ 97,700	$ 151,870
AP Hangzhou	10,710	48,604
Associates	1,836	-
	$ 110,246	$ 200,474

(5) Other payables from related parties

Name of related parties	December 31, 2021	December 31, 2020
AP-USA	$ 14,532	$ 15,445
Associates	-	398
	$ 14,532	$ 15,843

(6) R&D and design commission fee

Name of related parties	2021	2020
AP-USA	$ 62,346	$ 65,835
Zentel Japan	-	33,420
	$ 62,346	$ 99,255

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.

(9) Endorsement and guarantee

Endorsement or guarantee for others (December 31, 2021: None)

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

(10) 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 in 2020.

(11) Salaries and bonuses of key management personnel

	2021	2020
Short-term employee benefits	$ 74,554	$ 43,366
Post-employment benefits	432	561
Share-based payment	4,019	1,837
	$ 79,005	$ 45,764

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.

29. Pledged Assets

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

	December 31, 2021	December 31, 2020
Pledged time deposits (recognized as financial assets at amortized cost)	$ 2,763	$ 2,744

30. Liabilities and Unrecognized Contractual Commitments with Significance

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

Significant Commitments

The Corporation has signed a long-term raw material purchase contract with suppliers. The contract period is from October 2021 to December 2023; and the Corporation has set $443,440 as production capacity/purchase guarantee in October 2021. The contracts are also specified with the monthly purchase amount; and the violation terms and conditions. The Corporation has evaluated related contracts and regulations and conclude that these terms and conditions will not result in significant influence on the Corporation's financial status and operations.

31. Foreign Currency Assets and Liabilities with Significance

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

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

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
Foreign currency assets			
Monetary items			
USD	$ 47,010	27.68 (USD : TWD)	$ 1,301,229
Non-monetary items			
Equity instruments at FVTPL	28,462	4.344 (RMB : TWD)	$ 123,638
Equity-method subsidiaries			
USD	1,223	27.68 (USD : TWD)	33,855
RMB	30,552	4.344 (RMB : TWD)	132,720
			$ 290,213
Foreign currency liabilities			
Monetary items			
USD	$ 22,171	27.68 (USD : TWD)	$ 613,699

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
Foreign currency assets			
Monetary items			
USD	$ 45,796	28.48 (USD : TWD)	$ 1,304,262
Non-monetary items			
Equity instruments at FVTPL	6,262	4.377 (RMB : TWD)	$ 27,243
Equity-method subsidiaries			
USD	1,518	28.48 (USD : TWD)	$ 43,245
RMB	5,683	4.377 (RMB : TWD)	24,873
			$ 95,361
Foreign currency liabilities			
Monetary items			

USD	8,002	28.48 (USD : TWD)	$ 227,883

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

	2021		2020	
Foreign currency	Exchange rate	Net exchange loss	Exchange rate	Net exchange loss
USD	28.009 (USD : TWD)	($ 17,248)	29.549 (USD : TWD)	($ 43,303)
JPY	0.2554(JPY : TWD)	2,402	0.2769 (JPY : TWD)	(639)
EUR	33.1600 (EUR : TWD)	(3)	33.7100 (EUR : TWD)	(75)
		($ 14,849)		($ 44,017)

32. Additional Disclosures

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

A. Financing provided to others: Please refer to Appendix 1.

B. Endorsement and guarantee for others: Please refer to Appendix 2.

C. Marketable securities held at the end of the year (investments in subsidiaries are excluded): Please refer to Appendix 3.

D. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None.

E. Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: None.

F. Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None.

G. Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Please refer to the table of Appendix 4.

H. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.

I. Information about the derivative financial instrument transaction: None.

J. Information of investees: Please refer to Appendix 5.

(3) Information on investments in Mainland China:

A. The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, ending balance, amount received as dividends from the investee, and the limitation on investees: Please refer to Appendix 6.

B. Significant direct or indirect transactions with the investee, its prices and terms of payment and unrealized gain or loss:

a. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.

b. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Note 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.

(4) Information about major shareholders: The name, number of shares and stake held by shareholders with a stake of 5%: Please refer to Appendix 7.

AP Memory Technology Corporation

Financing Provided to Others

For the year ended December 31, 2021

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
													Item	Value			
0	AP Memory Technology Corporation	Zentel Japan Corp.	Other receivables	No	$ 415,200	$ -	$ -	-	Business contacts (Note 2)	$ -	-	$ -	-	$ -	$ 958,991	$ 1,917,982	

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, 2021.

Note 2: The board of directors has adopted the resolution of providing financing to Zentel Japan Corp. on September 26, 2020; and transferred payables exceeding the agreed payment terms (normal credit period) to other payables. The Corporation already successively received all of these payables before December 31, 2021.

AP Memory Technology Corporation

Endorsement and Guarantee for Others

For the year ended December 31, 2021

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)	$1,438,487	$ 100,000	$ -	$ -	$ -	-	$2,397,478	Y	N	N	
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(2)	1,438,487	27,680	-	-	-	-	2,397,478	Y	N	N	
1	Zentel Electronics Corp.	AP Memory Technology (Hangzhou) Limited Co.	(4)	22,735	55,360	-	-	-	-	37,892	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, 2021

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	Equity investments in listed (OTC) stocks							
	Powerchip Semiconductor Manufacturing Corp.	－	Current financial assets at fair value through profit or loss-Non-current	168,560	$12,001	0.005%	$12,001	
	Equity investments in unlisted (non-OTC) stocks							
	Haining Changmeng Tachnology Partnership Enterprise (Limited Partnership)	－	Current financial assets at fair value through profit or loss-Non-current	-	123,638	24.64%	123,638	
	GeneASIC Technologies Corporation	－	Current financial assets at fair value through profit or loss-Non-current	500,000	6,350	14.46%	6,350	

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, 2021

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	($ 1,427,563)	(21.53%)	OA 30 days	$ -	—	$ 97,700	11.42%	
AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	Subsidiary	Sale	(226,795)	(3.42%)	OA 30 days	-	—	10,710	1.25%	

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

Note 2: The paid-in capital refers to the paid-in capital of the parent. Where the issuer’s shares are denominated or the par value is not NT$10, the paid-in capital shall be calculated as 10% of the parent’s equity on the balance sheet and the rule of having 20% of paid-in capital shall be discarded accordingly.

AP Memory Technology Corporation

Information of Investees

For the year ended December 31, 2021

Appendix 5

(In Thousands of New Taiwan Dollars Unless Otherwise Specified)

Investor	Investee	Location	Main business activities	Original investment amount		Balance at the end of the year			Net income of the investee (Note 2)	Investment profit or loss recognized in the year (Note 2)	Remarks
				At the end of the year	At the end of last year	Number of shares	% of ownership	Carrying amount (Note 1)			
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%	$ 33,855	($ 10,806) (USD(385,793))	($ 10,806)	Subsidiary
	Zentel Electronics Corp.	10F-1, No. 1, Taiyuan 1st St., Zhubei City, Hsinchu County	IC research, development and sales	306,798	705,798	100,000	100%	75,784	5,631	5,631	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%	87,123	42,061	12,618	Associate
	APware Technology Corp.	Suite 102, Cannon Place, North Sound Rd., George Town, Grand Cayman, Cayman Islands	IC design, development and sales	-	-	-	100%	-	-	-	Subsidiary (Note 3)
AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited	Rm.19C,Lockhart Ctr.,301-307 Lockhart Rd.,Wan Chai, Hong Kong.	Sale of ICs	275 (USD 10,000)	-	10,000	100%	5,377	5,152 (USD 183,947)	5,152	Subsidiary (Note 4)

Note 1: Based on the exchange rate at December 31, 2021.

Note 2: Based on the average exchange rate for the year ended December 31, 2021.

Note 3: To develop into operational deployment planning, the Corporation established the subsidiary “APware Technology Corp.” in October 2021 in Cayman Island. However, the Corporation has not invested in capital therein yet.

Note 4: To develop into 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.; and invested capital therein in June 2021.

AP Memory Technology Corporation

Information on investments in Mainland China－AP Memory Technology Corporation

For the year ended December 31, 2021

Appendix 6

(In Thousands of New Taiwan Dollars Unless Otherwise Specified)

Investee	Main business activities	Paid-in capital (Note 1)	Investment method	Accumulated investment outflow from Taiwan at the beginning of the year	Investment flows		Accumulated investment outflow from Taiwan at the end of the year (Note 1)	Net income of the investee (Note 3)	The Corporation's direct or indirect shareholding	Investment profit or loss recognized in the year (Notes 3 and 5)	Carry amount of the investment at the end of the year (Notes 4 and 5)	Inward investment benefits at the end of the year
					Outflow	Inflow						
AP Memory Technology (Hangzhou) Limited Co.	IC design, development and sale	$ 58,009 (USD 2,000,000)	Note 2	$ 30,344 (USD 1,000,000)	$ 27,665 (USD 1,000,000)	$ -	$ 58,009 (USD 2,000,000)	$ 77,581 (RMB17,871,671)	100%	$ 77,581	$ 132,719	$ -

Accumulated Investment in Mainland China at the end of the year	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$58,009(USD2,000,000)	$58,009(USD2,000,000)	$2,876,973 (Note 6)

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

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

Note 3: Based on the average exchange rate of 2021.

Note 4: Based on the exchange rate at December 31, 2021.

Note 5: The calculation is based on the parent company's (Taiwan) CPA-certified financial statements prepared for the same fiscal year.

Note 6: The calculation is made based on 60% of the Corporation's net value at December 31, 2021 in accordance with Letter Ching-Shen-Tzu No. 09704604680 issued by the Ministry of Economic Affairs.

AP Memory Technology Corporation

Information on Major Shareholders

December 31, 2021

Appendix 7

Name of major shareholders	Shares	
	No. of shares	Percentage of ownership
Shanyi Investment Co.,Ltd.	26,456,668	17.77%

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

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual 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.

§THE CONTENTS OF STATEMENTS OF MAJOR ACCONTING ITEMS§

AP Memory Technology Corporation

Statement of Cash and Cash Equivalents

December 31, 2021

Statement 1

(In Thousands of New Taiwan Dollars
Unless Otherwise Specified)

Item	Summary	Amount
Cash on hand and revolving funds		$ 30
Bank demand deposit		
Demand deposit in TWD		505,104
Demand deposit in other currencies	US$16,210 thousand@27.68	448,698
		953,802
Cash equivalents (investments with original maturities of three months or less)		
Time deposits		1,350,000
		1,350,000
Total		$2,303,832

AP Memory Technology Corporation

Statement of Accounts Receivable

December 31, 2021

Statement 2 (In Thousands of New Taiwan Dollars)

Item	Amount
Accounts receivable from non-related parties	
Customer A	$ 305,500
Customer B	150,157
Customer C	65,990
Customer D	59,134
Customer E	49,043
Customer F	40,695
Others (Note)	71,766
Less: Allowance for bade debts	(1,484)
Net accounts receivable from non-related parties	740,801
Accounts receivable from related parties (Note 28)	110,246
Net accounts receivable	$ 851,047

Note: All balance is maintained below 5% of the account balance.

AP Memory Technology Corporation

Statement of Inventory

December 31, 2021

Statement 3 (In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net realizable value
Raw materials	$ 893,408	$ 994,821
Work-in-process goods	671,147	1,620,161
Finished goods	249,870	566,243
	1,814,425	$ 3,181,225
Less: Allowance for inventory valuation loss	(118,023)	
Total	$ 1,696,402	

AP Memory Technology Corporation

Statement of Changes in Investments Accounted for Using Equity Method

For the year ended December 31, 2021

Statement 4

(In Thousands of New Taiwan Dollars)

	Balance at the beginning of the year		Increase during the year (less)					Cash at the end of the year					
Name	Number of shares (shares)	Amount	Number of shares (shares)	Amount	Changes in ownership equity (Note 4)	Share of other comprehensive income of subsidiaries accounted for using equity	Exchange differences on translating the financial statements of foreign operations	Number of shares (shares)	Amount	Shareholding at the end of the year	Net equity value	Guarantee or pledge	Remarks
Measured at equity													
AP Memory Corp, USA	2,000,000	$ 43,245	-	$ -	$ 2,534	($ 10,806)	($ 1,118)	2,000,000	$ 33,855	100%	$ 33,855	None	
Zentel Electronics Corp.	40,000,000	955,794	(39,900,000)	(885,641)	-	5,631	-	100,000	75,784	100%	75,784	None	Note 1
AP Memory Technology (Hangzhou) Limited Co.	-	24,873	-	27,665	2,796	77,581	(196)	-	132,719	100%	132,719	None	Note 2
Lyontek Inc.	3,600,000	79,950	-	(5,400)	-	12,618	-	3,600,000	87,123	30%	266,384	None	Note 3
		$ 1,103,817		($ 863,376)	$ 5,330	$ 85,024	($ 1,314)		$ 329,481		$ 508,742		

Note 1: The decrease comes from the share capital returned by and cash dividends distributed by Zentel Electronics Corp., counting $399,000 thousand and $486,641 thousand, respectively.

Note 2: A direct investment to AP Memory Technology (Hangzhou) Limited Co. by AP Memory Technology Corporation as approved by Investment Commission, MOEA.

Note 3: The decrease for the year comes from cash dividends ($5,400 thousand) distributed by Lyontek Inc.

Note 4: Capital investment generated from employee share options granted to subsidiaries' employees.

AP Memory Technology Corporation

Statement of Refundable Deposits

December 31, 2021

Statement 5 (In Thousands of New Taiwan Dollars)

Nature	Amount
Refundable deposits	
Guarantee of purchase contract	$ 443,400
Lease of machines and equipment	18,000
Property lease(s)	3,209
	$ 464,609

AP Memory Technology Corporation

Statement of Accounts Receivable

December 31, 2021

Statement 6 (In Thousands of New Taiwan Dollars)

Item	Amount
Non-related parties	
Company A	$ 499,841
Company B	34,301
Others (Note)	65,904
Total	$ 600,046

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, 2021

Statement 7 (In Thousands of New Taiwan Dollars)

Item	Amount
Operating revenue	
IC	$ 6,223,469
Revenue from the rendering of services	250,188
	6,473,657
Sales discount and return	(12,377)
Net operating revenue	$ 6,461,280

AP Memory Technology Corporation

Statement of Operating Costs

For the year ended December 31, 2021

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	$ 223,521
Raw materials purchased in the year	3,763,933
Less: Raw materials at the end of the year	(893,408)
Others	(708)
	3,093,338
Manufacturing costs	833,103
Add: Supplies at the beginning of the year	275,758
Others	32,556
Less: Supplies at the end of the year	(671,147)
	3,563,608
Add: Finished products at the beginning of the year	291,922
Purchased in the year	89,568
Less: For R&D	(13,982)
Finished products at the end of the. year	(249,870)
Others	(169,834)
	3,511,412
Add: Loss on disposal and scrap of property, plant and equipment	63,481
Loss on disposal and scrap of inventory	18,461
Operating costs	$ 3,593,354

AP Memory Technology Corporation

Statement of Manufacturing Expense

For the year ended December 31, 2021

Statement 9 (In Thousands of New Taiwan Dollars)

Item	Amount
Commission and processing fees	$ 626,793
Expense from masks and probe cards	122,892
Indirect labor	45,301
Others (Note)	38,117
	$ 833,103

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, 2021

Statement 10 (In Thousands of New Taiwan Dollars)

Item	Selling expense	Administrative expense	Research and development expense	Total
Salaries	$ 61,762	$ 107,524	$ 149,907	$ 319,193
Various amortization	424	11,528	2,334	14,286
R&D commission fee	9,825	-	70,120	79,945
Expense from masks and probe cards	-	-	22,080	22,080
Board directors' remuneration	-	12,856	-	12,856
Others (Note)	29,905	34,555	34,032	98,492
	$ 101,916	$ 166,463	$ 278,473	$ 546,852

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, 2021 and 2020

Statement 11 (In Thousands of New Taiwan Dollars)

	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense						
Salaries	$ 45,301	$ 319,193	$ 364,494	$ 35,001	$ 175,461	$ 210,462
Labor and national health insurance	2,193	12,824	15,017	2,594	6,726	9,320
Pension	1,086	6,268	7,354	1,685	4,036	5,721
Board directors' remuneration	-	12,856	12,856	-	12,796	12,796
Other employee benefit expense	1,902	11,303	13,205	2,211	5,989	8,200
	$ 50,482	$ 362,444	$ 412,926	$ 41,491	$ 205,008	$ 246,499
Depreciation expense	$ 31,686	$ 11,315	$ 43,001	$ 5,366	$ 8,448	$ 13,814
Amortization expense	$ 153	$ 14,286	$ 14,439	$ 3,162	$ 13,241	$ 16,403

Notes:

1. The number of employees for the year and previous year was 115 and 92 people, respectively. Among them, the number of non-employee board members was 4 and 6 people, respectively.

2. Listed or OTC companies shall disclose the following information:

(1) The average of employee benefit expense of the year is $3,604 thousand (“Employee benefit expense of the year - Board directors' remuneration” / “Number of employees of the year - Non-employee board members”).

The average of employee benefit expense of the previous year was $2,717 thousand (“Employee benefit expense of the year - Board directors' remuneration” / “Number of employees of the year - Non-employee board members”).

(2) The average of employee salary of the year is $3,284 thousand (Employee salary of the year / “Number of employees of the year - Non-employee board members”)

The average of employee salary of the previous year was $2,447 thousand (Employee salary of the year / “Number of employees of the year - Non-employee board members”)

(3) Adjustment to the average of employee salary is 34% (“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.