AP Memory Technology Corporation and its Subsidiaries

Consolidated Financial Statements and Independent Auditors' Report

For the Years Ended December 31, 2022 and 2021

Declaration of Consolidation of Financial Statements of Affiliates

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

Company: AP Memory Technology Corporation
Person in charge: Chen Wen-liang
Date: February 24, 2023

INDEPENDENT AUDITORS'S REPORT

The Board of Directors and Stockholders
AP Memory Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of AP Memory Technology Corporation and its Subsidiaries (hereinafter referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

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

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

The sales revenue of AP Memory Technology Corporation and its Subsidiaries was $5,094,775 thousand in 2022. The revenue from sales to some customers, which increased significantly comparing with the previous year, counts for a large portion of the total sales revenue and is therefore determined as one of the key audit matters.

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

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

Other Matters

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2023

Notice to Readers

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

AP Memory Technology Corporation and its Subsidiaries

Consolidated Balance Sheets

As of December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

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

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

AP Memory Technology Corporation and its Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

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

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

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

AP Memory Technology Corporation and its Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

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

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

AP Memory Technology Corporation and its Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

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

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

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

AP Memory Technology Corporation and its Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

1. General Information

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

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

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

2. Approval of Financial Statements

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

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

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

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

(2) Applicable IFRSs endorsed by FSC in 2023

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

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

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

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

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

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

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

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

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

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

4. Summary of Significant Accounting Policies

(1) Statement of compliance

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

(2) Basis of preparation

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

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

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

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

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

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

Current assets include:

A. Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

A. Liabilities held primarily for the purpose of trading;

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

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

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

(4) Basis of consolidation

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

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

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

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

(5) Foreign currencies

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

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

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

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

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

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

(6) Inventories

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

(7) Investments in associates

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

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

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

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

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

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

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

(8) Property, plant and equipment

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

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

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

(9) Goodwill

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

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

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

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

(10) Intangible assets

A. Intangible assets acquired separately

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

B. Intangible assets acquired in a business combination

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

C. Derecognition of intangible assets

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

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

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

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

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

(12) Financial instruments

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

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

A. Financial assets

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

a. Measurement categories

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

(a) Financial assets at FVTPL

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

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

(b) Financial assets at amortized cost

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

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

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

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

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

i. Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

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

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

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

b. Impairment of financial assets

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

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

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

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

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

c. Derecognition of financial assets

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

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

B. Equity instruments

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

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

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

C. Financial liabilities

a. Subsequent measurement

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

b. Derecognition of financial liabilities

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

(13) Revenue recognition

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

A. Revenue from the sale of goods

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

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

B. Revenue from the rendering of services

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

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

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

C. Revenue from licensing

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

(14) Leases

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

The Group as lessee

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

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

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

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

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

(15) Employee benefits

A. Short-term employee benefits

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

B. Retirement benefits

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

(16) Share-based payment arrangements

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

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

(17) Income taxes

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

A. Current tax

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

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

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

B. Deferred tax

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

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

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

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

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

C. Current and deferred taxes for the year

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

5. <u>Critical Accounting Judgements and Key Sources of Estimation Uncertainty</u>

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

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

Fair value measurements and valuation process

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

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

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

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

6. Cash and cash equivalents

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

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

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

7. <u>Financial instruments at FVTPL</u>

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

(1) The Group signed an investment agreement with Haining Changmeng Technology Partnership Enterprise (Limited Partnership) (hereinafter referred to as Haining Changmeng) in August 2019. With a total investment of RMB6,900 thousand (24.64%), the Group does not have the ability to influence relevant activities and therefore does not have relevant significant influence. As of December 31, 2022, the Group has contributed 24.64% of the total paid-in capital.

(2) The Group acquired 1,500 thousand ordinary shares of Powerchip Semiconductor Manufacturing Corp. (hereinafter referred to as PSMC), counting 0.048% of PSMC's issued shares, in August 2019 at the price of $15,150 thousand. Later in June and August 2021, the Group sold 250,000 and 451,000 shares at $16,713 thousand and $30,809 thousand; and produced realized benefits amounted at $14,188 thousand and $26,253 thousand, respectively. The Group also purchased 70 thousand shares newly issued by PSMC for capital increase and the investment amount thereof was $2,782 thousand. As of December 31, 2022, the Group possesses 0.004% of PSMC's shares.

(3) In August 2020, the Group acquired 500 thousand ordinary shares of GeneASIC Technologies Corporation (hereinafter referred to as GeneASIC) in August 2020 at the price of $500 thousand. As of December 31, 2022, the Group possesses 14.46% of GeneASIC's shares.

8. Financial assets at amortized cost

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

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

9. Notes receivable, accounts receivable and other receivables

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

(1) Accounts receivable

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

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

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

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

December 31, 2022

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

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

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

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

10. Inventories

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

The nature of operating costs is as follows:

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

11. Subsidiaries

Subsidiaries included in the consolidated financial statements.

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

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

(1) Established in State of Oregon of the United States in February 2012, AP-USA mainly engages in the research and development of integrated circuits (ICs). As of February 24, 2023, the Corporation already contributed US$2,000 thousand of capital thereto.

(2) To integrate all resources and optimize the synergy of economies of scale, the Corporation’s board of directors reached a decision on September 2, 2016 to publicly purchase the ordinary shares of Zentel Electronics. As of the expiry date of the acquisition period, the Corporation totally purchased 55.24% equity interest of Zentel Electronics at the price of $544,291 thousand. Later on June 19, 2017, the Corporation then, upon resolution of the board of directors, acquire the remaining equity of Zentel Electronics (counting 44.76%) at the price of $441,040 thousand via cash consideration in accordance with Business Mergers And Acquisitions Act. Up until now, the Corporation already purchased the full equity of Zentel Electronics. Zentel Electronics engages in the design, development and sale of ICs. To plan the operations and enhance the capital use efficiency of Zentel Electronics, the Corporation has reduced capitalization and returned the share money of $399,000 thousand on July 30, 2021. Considering the Group’s overall operational and resource allocation plans, Zentel Electronics dissolved on June 30, 2022 and completed the liquidation process on January 12, 2023.

(3) Established in Hangzhou in December 2017, AP Hangzhou mainly engages in the design, development and sale of ICs. In 2021, the Corporation contributed US$1,000 thousand of capital thereto. As of February 24, 2023, AP Hangzhou’s paid-in capital is amounted US$2,000 thousand.

(4) To cope with the projected growth of reinvestment business and to develop into operational deployment planning, the board of directors has adopted the resolution of establishing the subsidiary “APware Technology Corp.” (hereinafter referred to as APware) in Cayman Islands on October 15, 2021; and APware, which engages in IC design,

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

(5) To cope with future product development and plan for operational deployment, the Corporation's board of directors resolved to establish a subsidiary, VIVR, in the united States on August 30,2022. VIVR was in December 2022 and mainly engages in the design, development and sales of IC. As of February 24, 2023, VIVR's actual paid-in capital was USD1,000,000

(6) To plan for operational deployment, the Corporation's board of directors resolved to establish a subsidiary, CascadeTeq, on October 28, 2022. CascadeTeq was established in December 2022 and mainly engages in the sales of IC. As of February 24, 2023, CascadeTeq's actual paid-in capital was NT$5,000 thousand.

(7) AP Hangzhou established AP Memory Technology (Hong Kong) Co. Limited, a company primarily engages in the sale of ICs, in October 2019 in Hong Kong. AP Hangzhou has contributed US$10 thousand of capital in June 2021. As of February 24, 2023, the Corporation's paid-in capital is US$10 thousand.

12. Investments accounted for using equity method

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

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

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

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

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

13. Property, plant and equipment

	Machinery and equipment	Computer and communications equipment	Office equipment	Leasehold improvement	Total improvement
Cost					
Balance at January 1, 2022	$ 146,711	$ 11,294	$ 4,259	$ 16,364	$ 178,628
Addition	22,046	2,364	657	353	25,420
Disposal	(539)	(178)	-	-	(717)
Net exchange differences	20	99	36	19	174
Balance at December 31, 2022	168,238	13,579	4,952	16,736	203,505
Accumulated depreciation					
Balance at January 1, 2022	77,546	8,361	3,971	7,351	97,229
Depreciation expense	20,049	1,482	417	3,772	25,720
Disposal	(45)	(178)	-	-	(223)
Net exchange differences	8	85	32	20	145
Balance at December 31, 2022	97,558	9,750	4,420	11,143	122,871
Net at December 31, 2022	$ 70,680	$ 3,829	$ 532	$ 5,593	$ 80,634
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

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

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

14. Lease Agreements

(1) Right-of-use assets

	December 31, 2022	December 31, 2021
Carrying amounts of right-of-use assets		
Building	$ 18,000	$ 16,024
Machinery and equipment	62,018	82,884
	$ 80,018	$ 98,908

	2022	2021
Increase of the right-of-use assets	$ 14,612	$ 84,296
Depreciation expense of the right-of-use asset		
Building	$ 12,290	$ 11,139
Machinery and equipment	20,866	20,287
	$ 33,156	$ 31,426

(2) Lease liabilities

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

The discount rate intervals of lease liabilities are as follows:

	December 31, 2022	December 31, 2021
Building	2%~4%	1.8%~2%
Machinery and equipment	1.8%	1.8%

(3) Other lease information

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

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

15. Other intangible assets

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

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

Computer software	1 to 3 years

16. Other assets

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

17. Other Liabilities

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

18. Retirement Benefit Plans

Defined Contribution Plans

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

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

19. Equity

(1) Share capital

A. Ordinary shares

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

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

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

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

B. Issuance of GDRs

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

(2) Capital surplus

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

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

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

(3) Retained earnings and dividend policy

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

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

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

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

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

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

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

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

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

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

	2022
Legal reserve	$ 194,170
Special reserve	$ 450
Cash dividends	$1,132,458
Cash dividends per share	$ 7.0

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

(4) Other equity

A. Exchange differences on translation of foreign financial statements

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

(5) Treasury shares

Purpose of redemption	Shares transferred to employees (in thousands of shares)
2022	
Number of shares at the beginning of the year	516
Decrease during the year	(516)
Number of shares at the end of the year	-
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

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

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

20. Revenue

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

(1) Descriptions of contracts with customers

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

(2) Contract balance

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

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:

	2022	2021
From the contract liabilities at the beginning of the year		
Sale of goods	$ 173,602	$ 88

21. Net Profit

(1) Depreciation and amortization

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

(2) Employee benefit expense

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

(3) Employees' compensation and board directors' remuneration

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

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

Estimation rate

	2022	2021
Employees' compensation	1.41%	2.86%
Board directors' remuneration	0.20%	0.31%

Amount

	2022	2021
Employees' compensation	$ 35,191	$ 74,262
Board directors' remuneration	5,000	8,000

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

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

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

(4) Exchange difference recognized in profit or loss

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

22. Income Tax

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

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

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

	2022	2021
Income before taxes	$ 2,449,283	$ 2,514,266
Income tax expense at the statutory rate	$ 490,246	$ 503,979
Unrecognized tax benefit	(4,409)	(21,841)
Income tax adjustments on prior years	(20,982)	(7,881)
Unappropriated earnings	42,732	14,552
Income tax expense recognized in profit or loss	$ 507,587	$ 488,809

(2) Deferred tax assets and liabilities

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

2022

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

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)	-
	$ 78,811	($ 53,325)	$ 25,486

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

(3) Income tax assessment

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

23. Earnings per share

Unit: NT$ per share

	2022	2021
Basic earnings per share	$ 12.09	$ 13.67
Diluted earnings per share	$ 11.96	$ 13.45

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

Net profit for the year

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

Number of shares

Unit: 1,000 shares

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

Since the Corporation can offer to settle the bonuses to employees in cash or shares, the Corporation assumes that the entire amount of bonus would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at the meeting in the following year.

24. Share-based payment Agreements

(1) Employee share option plan

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

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

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

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

Information relating to issued employee share options is as follows:

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

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

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

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

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

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

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

25. Capital risk management

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

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

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

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

26. Financial instruments

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

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

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

A. Fair value hierarchy

December 31, 2022

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

December 31, 2021

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

B. Reconciliation of Level 3 - Financial Liabilities at FVTPL

2022

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

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

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.

(3) Classification of financial instruments

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

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

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

(4) Financial risk management objectives and policies

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

A. Market risks

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

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

a. Currency risk

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

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

<u>Sensitivity analysis</u>

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

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

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

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

b. Interest rate risk

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

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

Sensitivity analysis

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

(c) Other price risks

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

Sensitivity Analysis

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

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

B. Credit risk

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

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

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

C. Liquidity risk

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

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

(a) Table of liquidity and interest rate risks

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

December 31, 2022

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

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	$ -

(b) Line of credit

	December 31, 2022	December 31, 2021
Line of credit		
－Available line of credit	$ 600,000	$ 700,000

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 Group's working capital and line of credit are sufficient to continue its operations, the Group therefore does not have any liquidity risk.

27. Related-Party Disclosures

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

(1) Related parties and relationships therewith

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

(2) Operating revenue

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

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

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

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

(4) Salaries and bonuses of key management personnel

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

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

28. Pledged Assets

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

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

29. Contingent Liabilities and Unrecognized Contractual Commitments with Significance

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

Significant Commitments

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

30. Important Matters

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

According to the verdict of the first trial, Zentel Electronics and other defendants should pay NT$99,822,000 and the interest accrued from June 4, 2014 to the settlement date (at an annual interest rate of 5%) to the plaintiff; and shall bear half of the plaintiff's litigation costs.

Zentel Electronics obtained a commitment letter issued by the product's manufacturer on July 27, 2017. The commitment letter specifies the manufacturer's commitment of bearing the aforesaid compensation amount and statutory deferred interest (NT$115,185 thousand in total); and abandoning the right of claim against Zentel Electronics. Besides, to avoid the plaintiff claiming a preliminary injunction prior to the judgement, the manufacturer already provided a negotiable certificate of deposit (with the same amount by the court) to the court as a guarantee.

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

31. Foreign Currency Assets and Liabilities with Significance

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

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

December 31, 2022

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

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

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

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

32. Additional Disclosures

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

A. Financing provided to others: None.

B. Endorsement and guarantee for others: None.

C. Marketable securities held at the end of the year (investments in subsidiaries are excluded): Please refer to Appendix 1.

D. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None.

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

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

G. Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Please refer to the table of Appendix 2.

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

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

J. Others: Business relationships and significant transactions and amount between parent company and subsidiaries and among subsidiaries: Please refer to Appendix 3.

K. Information of investees: Please refer to Appendix 4.

(3) Information on investments in Mainland China:

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

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

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 3.

c. The amount of property transactions and the amount of the resultant gains or losses: None.

d. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.

e. The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.

f. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: Please refer to Appendix 3.

(4) Information on major shareholders: The names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the equity: Please refer to Appendix 6.

33. Operating Segments

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

IOT Business Unit – Responsible for the sales of ICs

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

(1) Segment revenue and operating results

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

January 1 to December 31, 2022

	IOT BU	AI BU	Total
Segment revenue	$ 4,281,377	$ 813,398	$ 5,094,775
Operating costs	(2,601,692)	(271,689)	(2,873,381)
Segment net profit	$ 1,679,685	$ 541,709	2,221,394
Operating expenses			(720,874)
Net operating profit			1,500,520
Non-operating income and expenditure			948,763
Net profit before tax			$ 2,449,283

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 20.

(3) Information about geographical areas

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

	Revenue from external customers		Non-current assets	
	2022	2021	December 31, 2022	December 31, 2021
Mainland China	$ 2,603,812	$ 4,910,559	$ 24,642	$ 27,710
Japan	901,998	277,405	-	-
Taiwan	542,142	790,918	792,984	854,428
Europe	46,688	33,038	-	-
America	45,004	6,631	18,384	11,585
Others	955,131	598,664	-	-
	$ 5,094,775	$ 6,617,215	$ 836,010	$ 893,723

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:

	2022
Customer C	$ 853,139
Customer D	736,218
	$ 1,589,357

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

AP Memory Technology Corporation and its Subsidiaries

Marketable Securities Held at the End of the Year

December 31, 2022

Appendix 1

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

Held company	Type and name of marketable securities	Relationship with the issuer of securities	Account	At the end of the year (period)				Remarks
				Number of shares/ units	Carrying value	Percentage of ownership (%)	Fair value	
AP Memory Technology Corporation	Equity investments in listed (OTC) stocks							
	Powerchip Semiconductor Manufacturing Corp.	–	Current financial assets at fair value through profit or loss-Non-current	168,560	$ 5,368	0.004%	$ 5,368	
	Equity investments in unlisted (non-OTC) stocks							
	Haining Changmeng Technology Partnership Enterprise (Limited Partnership)	–	Current financial assets at fair value through profit or loss-Non-current	-	248,619	24.64%	248,619	
	GeneASIC Technologies Corporation	–	Current financial assets at fair value through profit or loss-Non-current	500,000	2,020	14.46%	2,020	

Note 1: Please refer to Appendixes 4 and 5 for more information about investments in subsidiaries and associates.

AP Memory Technology Corporation and its Subsidiaries

Total Purchases from or Sales to Related Parties of at Least NT$100 million or 20% of the Paid-in Capital

For the year ended December 31, 2022

Appendix 2

(In Thousands of New Taiwan Dollars Unless Otherwise Specified)

Company name	Related party	Nature of relationship	Transaction details				Abnormal transactions (Note 1)		Notes/ accounts payable or receivable		Remarks
			Purchase/ sale	Amount	% to total	Payment terms	Unit price	Payment terms	Balance	% to total	
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	Sub-subsidiary	Sale	($ 1,186,019)	(23.22%)	OA 30 day	$ -	-	$ 97,601	15.28%	Note 2
AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	Subsidiary	Sale	(175,086)	(3.43%)	OA 30 day	-	-	23,181	3.63%	Note 2

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

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

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

AP Memory Technology Corporation and its Subsidiaries

Intercompany Relationships and Significant Intercompany Transactions

For the year ended December 31, 2022

Appendix 3

(In Thousands of New Taiwan Dollars Unless Otherwise Specified)

No. (Note 1)	Investee company	Counterparty	Relationship (Note 2)	Transaction details			
				Financial statement accounts	Amount (Note 4)	Payment terms	% of total sales or assets (Note 3)
0	AP Memory Technology Corporation	AP Memory Corp, USA	(1)	Contracted research expenses	$ 61,814	Note 5	1.21%
0	AP Memory Technology Corporation	AP Memory Corp, USA	(1)	Other payables	15,830	Note 5	0.14%
0	AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	(1)	Operating revenue	175,086	Note 5	3.44%
0	AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	(1)	Accounts receivable	23,181	Note 5	0.20%
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(1)	Operating revenue	1,186,019	Note 5	23.28%
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(1)	Accounts receivable	97,601	Note 5	0.83%
0	AP Memory Technology Corporation	Zentel Electronics Corp.	(1)	Other expenses	100	Note 5	0.00%
1	AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited	(3)	Revenue from the rendering of services	51,715	Note 5	1.02%
1	AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited .	(3)	Accounts receivable	1,303	Note 5	0.01%

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

(1) Parent company: "0".

(2) Subsidiaries: are numbered starting from "1".

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

(1) Parent company to subsidiary;

(2) Subsidiary to parent company;

(3) Subsidiary to subsidiary.

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

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

Note 5: The payment term shall refer to that agreed by both parties.

AP Memory Technology Corporation and its Subsidiaries

Information of Investees

For the year ended December 31, 2022

Appendix 4

(In Thousands of New Taiwan Dollars Unless Otherwise Specified)

Investor	Investee	Location	Main business activities	Original investment amount		Balance at the end of the year			Net income of the investee (Note 2)	Investment profit or loss recognized in the year (Note 2)	Remarks
				At the end of the year	At the end of last year	Number of shares	% of ownership	Carrying amount (Notes 1 and 3)			
AP Memory Technology Corporation	AP Memory Corp, USA	Suite 251,BG Plaza,3800 S.W. Cedar Hills Blvd, Beaverton OR. 97005, USA	IC research and development services	$ 60,521 (USD 2,000,000)	$ 60,521 (USD 2,000,000)	2,000,000	100%	$ 34,386	($ 5,453) (USD 182,971)	($ 5,453)	Subsidiary
	Zentel Electronics Corp.	10F-1, No. 1, Taiyuan 1st St., Zhubei City, Hsinchu County	IC research, development and sales	-	306,798	-	-	-	1,948	1,948	Subsidiary (Note 4)
	Lyontek Inc.	No. 17, Industry East 2nd Road, East District, Hsinchu City	IC design and sales	75,060	75,060	3,600,000	30%	88,690	42,424	12,727	Associate
	APware Technology Corp.	Suite 102, Cannon Place, North Sound Rd., George Town, Grand Cayman, Cayman Islands	IC design, development and sales	-	-	-	100%	-	-	-	Subsidiary (Note 3)
	ONECENT TECHNOLOGY LTD.	4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands	RFID system design, development and sales	33,771 (USD 1,128,000)	-	3,600,000	48%	26,301	(34,247) (USD1,149,037)	(6,763)	Associate
	VIVR Corporation	Suite W 100 North Howard Street, Spokane Washington, 99201, US	IC design, development and sales	32,140 (USD 1,000,000)	-	1,000,000	100%	30,659	(49) (USD 1,660)	(49)	Subsidiary
	CascadeTeq Inc	8F-5, No. 1, Taiyuan 1st Street, Zhubei City, Hsinchu County	Sale of ICs	5,000	-	500,000	100%	5,001	1	1	Subsidiary
AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited	Rm.19C, Lockhart Ctr.,301-307 Lockhart Rd.,Wan Chai, Hong Kong.	Sale of ICs	275 (USD 10,000)	275 (USD 10,000)	10,000	100%	16,626	10,346	10,346	Subsidiary

Note 1: Based on the exchange rate at December 31, 2022.

Note 2: Based on the average exchange rate for the year ended December 31, 2022.

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

Note 4: Zentel Electronics Corp. Zentel Electronics dissolved on June 30, 2022 and completed the liquidation process on January 12, 2023.

AP Memory Technology Corporation and its Subsidiaries

Information on investments in Mainland China

For the year ended December 31, 2022

Appendix 5

(In Thousands of New Taiwan Dollars Unless Otherwise Specified)

Investee	Main business activities	Paid-in capital (Note 1)	Investment method	Accumulated investment outflow from Taiwan at the beginning of the year	Investment flows		Accumulated investment outflow from Taiwan at the end of the year (Note 1)	Net income of the investee (Note 3)	The Corporation's direct or indirect shareholding	Investment profit or loss recognized in the year (Notes 3 and 5)	Carry amount of the investment at the end of the year (Notes 4 and 5)	Inward investment benefits at the end of the year
					Outflow	Inflow						
AP Memory Technology (Hangzhou) Limited Co.	IC research, development and sales	58,009 (USD 2,000,000)	Note 3	58,009 (USD 2,000,000)	$ -	$ -	58,009 (USD 2,000,000)	16,832	100%	16,832	155,892	-

Accumulated Investment in Mainland China at the end of the year	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$58,009 (USD2,000,000)	$58,009 (USD2,000,000)	$6,570,341 (Note 6)

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

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

Note 3: Based on the average exchange rate of 2022.

Note 4: Based on the exchange rate at December 31, 2022.

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

Note 6: The calculation is made based on 60% of the Corporation's net value at December 31, 2022 in accordance with Letter Ching-Shen-Tzu No. 09704604680 issued by the Ministry of Economic Affairs.

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

AP Memory Technology Corporation

Information on Major Shareholders

December 31, 2022

Appendix 6

Name of major shareholders	Shares	
	No. of shares	Percentage of ownership
Shanyi Investment Co.,Ltd.	26,706,668	16.53%

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

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual 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.