

AP Memory Technology Corporation  
and Subsidiaries

Consolidated Financial Statements for  
the Three Months Ended March  
31,2021 and 2020 and Independent  
Auditors' Review Report

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

## **Independent Auditors' Review Report**

The Board of Directors and Stockholders

AP Memory Technology Corporation

### **Introduction**

We have reviewed the accompanying Consolidated Balance Sheet of AP Memory Technology Corporation as of March 31, 2021 and 2020, and the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and Consolidated Financial Statement Notes (including summary of major accounting policies) from January 1 to March 31, 2021 and 2020. The management's responsibility is to prepare fairly presented consolidated financial statements in all material respects in conformity with the relevant provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IAS 34 Interim Financial Reporting endorsed and released to be effective by the Financial Supervisory Commission. The accountant's responsibility is to draw conclusions on the financial statements based on the review results.

### **Scope of Review**

The accountant performed the review in accordance with the Statements on Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor." The procedures performed for the reviewing of consolidated financial statements include inquiries (mainly inquiries from personnel responsible for financial and accounting affairs), analytical procedures, and other review procedures. The scope of the review work is significantly narrower than the scope of the audit, so the accountant may not be able to perceive all the material issues that can be identified by the audit work, so the audit opinion cannot be expressed.

### **Conclusion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the AP Memory Technology Corporation as of March 31, 2021 and 2020 and the consolidated financial performance and its cash flows from January 1 to March 31, 2021 and 2020, in conformity with the relevant provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the released and effective IAS 34 Interim Financial Reporting endorsed and released to be effective by the Financial Supervisory Commission.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

May 7, 2021

AP Memory Technology Corporation and Subsidiaries  
Consolidated Balance Sheet  
March 31, 2021, December 31, 2020 and March 31, 2020

Unit: In thousands of New Taiwan Dollars

Code	Assets	March 31, 2021 (Reviewed)		December 31, 2020 (Audited)		March 31, 2020 (Reviewed)	
		Amount	%	Amount	%	Amount	%
	<b>Current assets</b>						
1100	Cash and cash equivalents (Note 6)	\$ 973,297	21	\$ 662,967	17	\$ 834,218	25
1110	Financial assets measured at fair value through profit and loss- Current (Notes 7 and 31)	931,141	20	930,536	23	-	-
1136	Financial assets measured at amortized cost-Current (Notes 8 and 33)	2,744	-	60,215	1	63,680	2
1150	Notes receivable (Notes 9 and 23)	26,085	1	-	-	-	-
1170	Accounts receivable (Notes 9 and 23)	756,548	16	600,601	15	651,869	20
1200	Other receivables (Note 9)	384,770	8	401,777	10	39,191	1
1220	Current income tax assets (Note 4)	20,470	1	20,453	1	-	-
1310	Inventories (Note 10)	719,171	16	625,055	16	962,150	29
1470	Other current assets (Note 18)	19,932	-	8,423	-	38,400	1
11XX	Total current assets	<u>3,834,158</u>	<u>83</u>	<u>3,310,027</u>	<u>83</u>	<u>2,589,508</u>	<u>78</u>
	<b>Non-current assets</b>						2
1510	Financial assets measured at fair value through profit and loss- Non-current (Notes 7 and 31)	85,992	2	68,016	2	45,179	2
1540	Financial assets measured at amortized cost-Non-current (Note 8)	5,899	-	5,865	-	6,153	-
1550	Investments accounted for using equity method (Note 13)	82,998	2	79,905	2	84,423	3
1600	Property, plant and equipment (Note 14)	8,859	-	8,009	-	11,288	-
1755	Right-of-use assets (Note 15)	108,407	2	46,096	1	19,196	1
1805	Goodwill (Note 16)	-	-	-	-	76,204	2
1821	Other intangible assets (Note 17)	28,832	1	35,103	1	101,264	3
1840	Deferred income tax assets (Note 4)	62,022	1	78,811	2	71,464	2
1915	Prepayments for equipment	3,530	-	1,869	-	2,837	-
1920	Refundable deposits (Note 20)	218,116	5	208,547	5	206,691	6
1995	Other non-current assets (Note 18)	192,610	4	141,152	4	85,910	3
15XX	Total non-current assets	<u>797,265</u>	<u>17</u>	<u>673,373</u>	<u>17</u>	<u>710,609</u>	<u>22</u>
1XXX	Total assets	<u>\$ 4,631,423</u>	<u>100</u>	<u>\$ 3,983,400</u>	<u>100</u>	<u>\$ 3,300,117</u>	<u>100</u>
	<b>Liabilities and equity</b>						
	<b>Current liabilities</b>						
2100	Short-term borrowings (Note 19)	\$ -	-	\$ 130,613	3	\$ 247,296	8
2120	Financial liabilities measured at fair value through profit and loss-Current (Note 7)	-	-	-	-	9,753	-
2170	Accounts payable	423,198	9	236,934	6	322,726	10
2200	Other payables (Notes 20 and 32)	322,932	7	332,738	8	134,964	4
2230	Current income tax liabilities (Note 4)	184,301	4	132,617	3	-	-
2280	Lease liability-Current (Note 15)	39,485	1	19,830	1	10,604	-
2399	Other current liabilities (Notes 20 and 23)	118,834	2	2,375	-	16,422	1
21XX	Total current liabilities	<u>1,088,750</u>	<u>23</u>	<u>855,107</u>	<u>21</u>	<u>741,765</u>	<u>23</u>
	<b>Non-current liabilities</b>						
2570	Deferred income tax liabilities (Note 4)	1,769	-	233	-	6,562	-
2580	Lease liability-Non-current (Note 15)	67,754	2	25,090	1	6,979	-
2612	Long-term payables (Note 20)	-	-	-	-	164,714	5
2645	Guarantee deposit received	9,000	-	-	-	-	-
25XX	Total non-current liabilities	<u>78,523</u>	<u>2</u>	<u>25,323</u>	<u>1</u>	<u>178,255</u>	<u>5</u>
2XXX	Total liabilities	<u>1,167,273</u>	<u>25</u>	<u>880,430</u>	<u>22</u>	<u>920,020</u>	<u>28</u>
	<b>Equity attributable to owners of the Company (Notes 12, 22, 27 and 29)</b>						
	<b>Share capital</b>						
3110	Common share capital	743,386	16	742,316	19	739,157	23
3140	Share capital collected in advance	-	-	532	-	-	-
3100	Total share capital	<u>743,386</u>	<u>16</u>	<u>742,848</u>	<u>19</u>	<u>739,157</u>	<u>23</u>
3200	Capital reserves	<u>1,031,493</u>	<u>22</u>	<u>1,020,722</u>	<u>25</u>	<u>997,441</u>	<u>30</u>
	<b>Retained earnings</b>						
3310	Legal reserves	282,992	6	282,992	7	282,992	8
3320	Special reserve	4,576	-	4,576	-	3,225	-
3350	Undistributed earnings	1,403,408	31	1,053,036	27	352,358	11
3300	Total retained earnings	<u>1,690,976</u>	<u>37</u>	<u>1,340,604</u>	<u>34</u>	<u>638,575</u>	<u>19</u>
	<b>Other equity</b>						
3410	Exchange differences arising on translation of foreign operations	9,541	-	10,042	-	1,265	-
3490	Unearned employee compensation	-	-	-	-	(199)	-
3400	Total other equity	<u>9,541</u>	<u>-</u>	<u>10,042</u>	<u>-</u>	<u>1,066</u>	<u>-</u>
3500	Treasury shares	(11,246)	-	(11,246)	-	(11,246)	-
31XX	Total equity of the owners of the Company	<u>3,464,150</u>	<u>75</u>	<u>3,102,970</u>	<u>78</u>	<u>2,364,993</u>	<u>72</u>
36XX	Non-controlling Interests (Notes 12, 22 and 29)	-	-	-	-	15,104	-
3XXX	Total equity	<u>3,464,150</u>	<u>75</u>	<u>3,102,970</u>	<u>78</u>	<u>2,380,097</u>	<u>72</u>
	<b>Total liabilities and equity</b>	<u>\$ 4,631,423</u>	<u>100</u>	<u>\$ 3,983,400</u>	<u>100</u>	<u>\$ 3,300,117</u>	<u>100</u>

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

AP Memory Technology Corporation and Subsidiaries

Consolidated Statement of Comprehensive Income

From January 1 to March 31, 2021 and 2020

( Reviewed only, not audited in accordance with generally accepted auditing standards )

Unit: In thousands of New Taiwan Dollars, Except Earnings Per Share

Code		January 1 to March 31, 2021		January 1 to March 31, 2020	
		Amount	%	Amount	%
4000	Operating revenue ( Note 23 )	\$ 1,227,205	100	\$ 898,016	100
5000	Operating costs ( Notes 10 and 24 )	<u>685,947</u>	<u>56</u>	<u>749,906</u>	<u>83</u>
5900	Gross profit	<u>541,258</u>	<u>44</u>	<u>148,110</u>	<u>17</u>
	Operating expenses ( Note 24 )				
6100	Selling expenses	24,358	2	21,582	2
6200	Administrative expenses	39,901	3	21,982	3
6300	R&D expenses	84,376	7	60,996	7
6450	Expected gain on reversal of credit impairment	( <u>851</u> )	<u>-</u>	<u>-</u>	<u>-</u>
6000	Total operating expenses	<u>147,784</u>	<u>12</u>	<u>104,560</u>	<u>12</u>
6900	Operating profit	<u>393,474</u>	<u>32</u>	<u>43,550</u>	<u>5</u>
	Non-operating revenues and expenses				
7190	Other revenue	3,391	-	1,648	-
7060	Share of profit or loss of associates accounted for using equity method( Note 31 )	3,093	-	1,898	-
7100	Interest revenue	946	-	1,720	-
7235	Gain on financial asset measured at fair value through profit and loss ( Note 31 )	18,581	2	30	-
7510	Interest expense	( 629 )	-	( 727 )	-
7230	Net gain on foreign exchange operations ( Notes 24 and 35 )	1,588	-	12,076	1
7625	Loss on disposal of investment ( Note 28 )	<u>-</u>	<u>-</u>	( <u>5,539</u> )	<u>-</u>
7000	Total non-operating revenues and expenses	<u>26,970</u>	<u>2</u>	<u>11,106</u>	<u>1</u>

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C o d e		January 1 to March 31, 2021		January 1 to March 31, 2020	
		Amount	%	Amount	%
7900	Income from continuing operation before income tax	\$ 420,444	34	\$ 54,656	6
7950	Income tax expense ( Notes 4 and 25 )	( 70,072 )	( 5 )	( 5,571 )	( 1 )
8100	Income (loss) from discontinued operation ( Note 11 )	<u>          -</u>	<u>      -</u>	( <u>12,203</u> )	( <u>  1</u> )
8200	Net income	<u>350,372</u>	<u>29</u>	<u>36,882</u>	<u>4</u>
	Other comprehensive income ( Note 22 )				
8360	Items that may be reclassified subsequently to profit or loss :				
8361	Exchange differences arising on translation of foreign operations	( <u>501</u> )	<u>      -</u>	<u>2,399</u>	<u>      -</u>
8300	Current other comprehensive income ( Net income after tax )	( <u>501</u> )	<u>      -</u>	<u>2,399</u>	<u>      -</u>
8500	Total comprehensive income	<u>\$ 349,871</u>	<u>29</u>	<u>\$ 39,281</u>	<u>4</u>
	Net income attributable to :				
8610	owners of the Company	\$ 350,372	29	\$ 35,999	4
8620	non-controlling interests ( Notes 12 and 22 )	<u>          -</u>	<u>      -</u>	<u>883</u>	<u>      -</u>
8600		<u>\$ 350,372</u>	<u>29</u>	<u>\$ 36,882</u>	<u>4</u>
	Comprehensive income attributable to :				
8710	owners of the Company	\$ 349,871	29	\$ 38,247	4
8720	non-controlling interests ( Notes 12 and 22 )	<u>          -</u>	<u>      -</u>	<u>1,034</u>	<u>      -</u>
8700		<u>\$ 349,871</u>	<u>29</u>	<u>\$ 39,281</u>	<u>4</u>
	Earnings per share ( Note 26 )				
	from continuing operations and discontinued operations				
9750	Basic	<u>\$ 4.73</u>		<u>\$ 0.49</u>	
9850	Diluted	<u>\$ 4.66</u>		<u>\$ 0.49</u>	
	from continuing operations				
9720	Basic	<u>\$ 4.73</u>		<u>\$ 0.67</u>	
9820	Diluted	<u>\$ 4.66</u>		<u>\$ 0.67</u>	

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

AP Memory Technology Corporation and Subsidiaries  
Consolidated Statement of Changes in Equity  
From January 1 to March 31, 2021 and 2020  
(Reviewed only, not audited in accordance with generally accepted auditing standards)

Unit: In thousands of New Taiwan Dollars

Code		Common share capital (Note 22)				Capital reserves (Notes 22, 27 and 29)	Retained earnings (Note 22)				Other equity (Notes 22 and 27)			Treasury shares (Note 22)	Total equity of owners of the Company	Non-controlling interests (Notes 12, 22 and 29)	Total equity
		Number of shares (thousand shares)	Amount	Share capital collected in advance	Total share capital		Legal reserves	Special reserve	Undistributed earnings	Total	Exchange differences arising on translation of foreign operations	Unearned employee compensation	Total				
A1	Balance as of January 1, 2020	73,853	\$ 738,535	\$ -	\$ 738,535	\$ 838,388	\$ 282,992	\$ 3,225	\$ 316,359	\$ 602,576	(\$ 4,576)	(\$ 1,120)	(\$ 5,696)	(\$ 11,246)	\$ 2,162,557	\$ -	\$ 2,162,557
T1	Recognition of compensation cost for employee stock warrants	-	-	-	-	2,079	-	-	-	-	-	-	-	-	2,079	-	2,079
D1	Net income from January 1 to March 31, 2020	-	-	-	-	-	-	-	35,999	35,999	-	-	-	-	35,999	883	36,882
D3	Other comprehensive income after tax from January 1 to March 31, 2020	-	-	-	-	-	-	-	-	-	2,248	-	2,248	-	2,248	151	2,399
D5	Total comprehensive income from January 1 to March 31, 2020	-	-	-	-	-	-	-	35,999	35,999	2,248	-	2,248	-	38,247	1,034	39,281
M5	Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	153,042	-	-	-	-	3,593	-	3,593	-	156,635	14,072	170,707
M7	Changes in ownership of subsidiaries	-	-	-	-	2	-	-	-	-	-	-	-	-	2	( 2 )	-
N1	Common shares issued under the Employee Stock Purchase Plan	62	622	-	622	3,930	-	-	-	-	-	-	-	-	4,552	-	4,552
N1	New restricted stock award shares issued to employees	-	-	-	-	-	-	-	-	-	-	921	921	-	921	-	921
Z1	Balance as of March 31, 2020	<u>73,915</u>	<u>\$ 739,157</u>	<u>\$ -</u>	<u>\$ 739,157</u>	<u>\$ 997,441</u>	<u>\$ 282,992</u>	<u>\$ 3,225</u>	<u>\$ 352,358</u>	<u>\$ 638,575</u>	<u>\$ 1,265</u>	<u>(\$ 199)</u>	<u>\$ 1,066</u>	<u>(\$ 11,246)</u>	<u>\$ 2,364,993</u>	<u>\$ 15,104</u>	<u>\$ 2,380,097</u>
A1	Balance as of January 1, 2021	74,231	\$ 742,316	\$ 532	\$ 742,848	\$ 1,020,722	\$ 282,992	\$ 4,576	\$ 1,053,036	\$ 1,340,604	\$ 10,042	\$ -	\$ 10,042	(\$ 11,246)	\$ 3,102,970	\$ -	\$ 3,102,970
T1	Recognition of compensation cost for employee stock warrants	-	-	-	-	5,686	-	-	-	-	-	-	-	-	5,686	-	5,686
D1	Net income from January 1 to March 31, 2021	-	-	-	-	-	-	-	350,372	350,372	-	-	-	-	350,372	-	350,372
D3	Other comprehensive income after tax from January 1 to March 31, 2021	-	-	-	-	-	-	-	-	-	( 501 )	-	( 501 )	-	( 501 )	-	( 501 )
D5	Total comprehensive income from January 1 to March 31, 2021	-	-	-	-	-	-	-	350,372	350,372	( 501 )	-	( 501 )	-	349,871	-	349,871
N1	Common shares issued under the Employee Stock Purchase Plan	107	1,070	( 532 )	538	5,085	-	-	-	-	-	-	-	-	5,623	-	5,623
Z1	Balance as of March 31, 2021	<u>74,338</u>	<u>\$ 743,386</u>	<u>\$ -</u>	<u>\$ 743,386</u>	<u>\$ 1,031,493</u>	<u>\$ 282,992</u>	<u>\$ 4,576</u>	<u>\$ 1,403,408</u>	<u>\$ 1,690,976</u>	<u>\$ 9,541</u>	<u>\$ -</u>	<u>\$ 9,541</u>	<u>(\$ 11,246)</u>	<u>\$ 3,464,150</u>	<u>\$ -</u>	<u>\$ 3,464,150</u>

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

AP Memory Technology Corporation and Subsidiaries

Consolidated Cash Flow Statement

From January 1 to March 31, 2021 and 2020

( Reviewed only, not audited in accordance with generally accepted auditing standards )

Unit: In thousands of New Taiwan Dollars

<u>C o d e</u>		<u>January 1 to March 31, 2021</u>	<u>January 1 to March 31, 2020</u>
	Cash flows from operating activities		
A00010	Income from continuing operation before income tax	\$ 420,444	\$ 54,656
A00020	Loss from discontinued operations before income tax	-	( 12,200 )
A10000	Current income before income tax	420,444	42,456
A20010	Income and expense items		
A20100	Depreciation expense	8,902	7,867
A20200	Amortization expense	6,772	6,884
A20300	Expected gain on reversal of credit impairment	( 851 )	-
A20400	Net gains on financial assets measured at fair value through profit or loss	( 18,581 )	( 30 )
A20900	Interest expense	629	748
A21200	Interest revenue	( 946 )	( 1,746 )
A21900	Compensation cost for stock-based awards	5,686	3,000
A22300	Share of profit of associates accounted for using equity method	( 3,093 )	( 1,898 )
A23100	Loss on disposal of investment	-	5,539
A23700	Allowance for inventory valuation and obsolescence loss	910	32,174
A24100	Unrealized loss (gain) on foreign currency exchange	16,866	( 3,356 )
A30000	Net changes in operating assets and liabilities		
A31150	Notes and accounts receivable	( 174,853 )	( 58,987 )
A31180	Other receivables	( 1,360 )	20,936
A31200	Inventories	( 95,026 )	136,478
A31240	Other assets	( 62,967 )	15,751
A32150	Accounts payable	182,296	14,160
A32180	Other payables	( 10,630 )	( 36,748 )
A32230	Other current liabilities	116,459	9,184
A33000	Cash generated from operations	390,657	192,412
A33100	Interest received	329	1,753
A33300	Interest paid	( 781 )	( 811 )
A33500	Income tax paid	( 80 )	( 111 )
AAAA	Net cash inflow from operating activities	<u>390,125</u>	<u>193,243</u>

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<u>C o d e</u>		<u>January 1 to March 31, 2021</u>	<u>January 1 to March 31, 2020</u>
	Cash flows from investing activities		
B00040	Acquisition of financial assets measured at amortized cost	\$ -	( \$ 60,528 )
B00050	Disposal of financial assets measured at amortized cost	57,756	-
B00200	Disposal of financial assets measured at fair value through profit or loss	-	30,033
B02300	Net cash outflow of disposal of subsidiaries ( Note 28 )	-	( 10,189 )
B02700	Acquisition of property, plant and equipment	( 2,543 )	( 489 )
B03800	Increase in refundable deposits	( 9,569 )	( 26 )
B04500	Acquisition of intangible assets	( 476 )	( 439 )
B07100	Increase in prepayments for equipment	( 1,661 )	( 7 )
B09900	Issue of financial liabilities measured at fair value through profit and loss	<u>-</u>	<u>9,753</u>
BBBB	Net cash inflow (outflow) from investing activities	<u>43,507</u>	( <u>31,892</u> )
	Cash flows from financing activities		
C00200	Decrease in short-term borrowings	( 130,613 )	( 52,704 )
C03000	Increase in guarantee deposit received	9,000	-
C04020	Lease principal repayment	( 6,809 )	( 4,547 )
C04800	Exercise of stock options by employees	5,623	4,552
C05500	Disposal of subsidiary's shares (without loss of control)	<u>-</u>	<u>140,447</u>
CCCC	Net cash inflow (outflow) from financing activities	( <u>122,799</u> )	<u>87,748</u>
DDDD	Impact of exchange rate changes on cash and cash equivalents	( <u>503</u> )	<u>855</u>
EEEE	Net increase in cash and cash equivalents	310,330	249,954
E00100	Opening balance of cash and cash equivalents	<u>662,967</u>	<u>584,264</u>
E00200	Closing balance of cash and cash equivalents	<u>\$ 973,297</u>	<u>\$ 834,218</u>

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

AP Memory Technology Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

From January 1 to March 31, 2021 and 2020

( Reviewed only, not audited in accordance with generally accepted auditing standards )

( Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise )

1. General Information

AP Memory Technology Corporation (hereinafter referred to as "the Company") was established on August 4, 2011 with the approval of the Ministry of Economic Affairs, mainly engaging in the research, development, production, manufacturing, and sales of various integrated circuits, and providing technical services for related products' design and research and development.

The Company's shares have been approved by the Taipei Exchange for trading on the Emerging Stock Market since June 2015, and have been listed and traded on the Taiwan Stock Exchange since May 31, 2016.

These consolidated financial statements are expressed in the Company's functional currency, New Taiwan Dollars.

2. Date and procedure for passing the financial statements

These consolidated financial statements were passed by the Board of Directors on May 7, 2021.

3. Application of new standards, amendments and interpretations

(1) The International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations (IFRIC), and Standing Interpretations Committee (SIC) (hereinafter referred to as "IFRSs") endorsed and released to be effective by the Financial Supervisory Commission which are initially adopted

The adoption of the amendments to IFRSs endorsed and released to be effective by the FSC will not result in material changes in the accounting policies of the Consolidated Company.

(2) IFRSs released by the International Accounting Standards Board (IASB) but not yet endorsed and released to be effective by the FSC

<u>New standard, interpretation and amendment</u>	<u>Effective date of the IASB release ( Note 1 )</u>
「 Annual Improvements to IFRSs 2018-2020 Cycle 」	January 1, 2022 ( Note 2 )
Reference to the Conceptual Framework (Amendments to IFRS 3)	January 1, 2022 ( Note 3 )
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Undetermined

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<u>New standard, interpretation and amendment</u>	<u>Effective date of the IASB release (Note 1)</u>
IFRS 17 Insurance Contracts	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2023
Disclosure of Accounting Policies (Amendments to IAS 1)	January 1, 2023 (Note 6)
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023 (Note 7)
Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	January 1, 2022 (Note 4)
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	January 1, 2022 (Note 5)

Note 1 : Unless otherwise specified, the aforementioned newly

standard/interpretation/amendment will take effect since the annual reporting period beginning after each date.

Note 2 : The amendments to IFRS 9 are applicable to the exchange or modification of terms of financial liabilities occurred in the annual reporting period beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" are applicable to the fair value measurement in the annual reporting period beginning on or after January 1, 2022. The amendments to IFRS 1 "Initial Adoption of IFRSs" are retrospectively applicable to the annual reporting period beginning on or after January 1, 2022.

Note 3 : These amendments are applicable to business mergers whose acquisition date in the annual reporting period beginning on or after January 1, 2022.

Note 4 : These amendments are applicable to plant, property and equipment brought to the location and condition necessary to achieve the management's intended mode of operation after January 1, 2021.

Note 5 : These amendments are applicable to contracts with not all obligations arising from the contracts have been fulfilled on January 1, 2022.

Note 6 : The application of these amendments is deferred to the annual reporting periods beginning on or after January 1, 2023.

Note 7 : These amendments are applicable to changes in accounting estimates and changes in accounting policies that occur in annual reporting periods beginning on or after January 1, 2023.

As of the release date of these consolidated financial statements, the Consolidated Company continues to evaluate the impacts of the aforementioned standards and amendments to interpretations on the financial status and financial performance, and the relevant impacts will be disclosed when the evaluation is completed.

#### 4. Summary of major accounting policies

##### (1) Acknowledgement of compliance

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IAS 34 Interim Financial Reporting endorsed and released to be effective by the Financial Supervisory Commission. These consolidated financial statements do not include all of the IFRS disclosures required by the financial statements for the entire year.

##### (2) Basis of preparation

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

The fair value measurement is divided into level 1 to level 3 according to the observability and importance of the relevant input value :

1. Level 1 input value: It refers to the quoted price (unadjusted) of the same asset or liability obtained in the active market on the measurement date.
2. Level 2 input value: It refers to the directly (i.e., price) or indirectly (i.e., inference of price) observable input value of an asset or liability, except for the quoted price of level 1.
3. Level 3 input value: It refers to the unobservable input value of an asset or liability.

##### (3) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and entities (subsidiaries) controlled by the Company. The consolidated statement of comprehensive income has included the current operating profit and loss of the acquired or disposed subsidiaries from the acquisition date or until the disposal date in the current period. The subsidiaries' financial statements have been adjusted so that their accounting policies are conformed to those of the Consolidated Company. In preparing the consolidated financial statements, all inter-entity transactions, account balances, incomes and expenses have been eliminated. The total comprehensive income of the subsidiaries is attributable to the Company's owners and noncontrolling interests, even if the noncontrolling interests become a loss balance as a result.

When a change in the Consolidated Company's ownership interest in a subsidiary does not result in a loss of control, it is treated as an equity transaction. The book values of the Consolidated Company and noncontrolling interests have been adjusted to reflect the changes in their relative interests in subsidiaries. The difference between the adjustment amount of the noncontrolling interest and the fair value of the consideration paid or received is recognized directly in equity and is attributable to the owners of the Company.

When the Consolidated Company loses control of a subsidiary, the gain or loss on disposal is the difference between: (1) The aggregate of the fair value of the consideration received and the fair value of the remaining investment in the former subsidiary on the date of loss of control, and (2) the aggregate of the book values of the assets (including goodwill) and liabilities of the former subsidiaries and non-controlling interests on the date of loss of control. For all the amounts recognized in other comprehensive income which are related to the subsidiary, the Consolidated Company conforms the accounting treatment to the same basis required for the Consolidated Company's direct disposal of the related assets or liabilities.

For details of subsidiaries, shareholding ratios, and business items, please refer to Note 12 and Tables 7 and 8.

(4) Other major accounting policies

In addition to the following descriptions, please refer to the summary of significant accounting policies in the 2020 consolidated financial statements.

Income tax

Income tax expense is the sum of current income tax and deferred income tax. Income tax for the interim period is assessed on an annual basis using the tax rate applicable to the expected total earnings for the year, and is calculated on the interim pre-tax gain.

5. Critical accounting judgments and key sources of estimation and assumption uncertainty

Please refer to the critical accounting judgments and key sources of estimation and assumption uncertainty in the 2020 consolidated financial statements.

6. Cash and cash equivalents

	March 31, 2021	December 31, 2020	March 31, 2020
Petty cash and cash on hand	\$ 98	\$ 98	\$ 185
Checking accounts and demand deposits	553,199	662,869	471,333
Cash equivalents (investments with original maturity of 3 months or less)			
Time deposits	420,000	-	-
Bonds with Repurchase agreements	-	-	362,700
	<u>\$ 973,297</u>	<u>\$ 662,967</u>	<u>\$ 834,218</u>

The interest rate range of bank deposits at the balance sheet date is as follows :

	March 31, 2021	December 31, 2020	March 31, 2020
Current deposits	0.001%~0.30%	0.001%~0.30%	0.01%~0.35%
Time deposits	0.33%~0.34%	-	-
Bonds with Repurchase agreements	-	-	2.10%~2.15%

7. Financial instruments measured at fair value through profit and loss

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
<u>Financial assets – Current</u>			
Non-derivative financial assets			
– Fund beneficiary certificates	\$ <u>931,141</u>	\$ <u>930,536</u>	\$ <u>-</u>
<u>Financial assets – Non-current</u>			
Non-derivative financial assets			
– Foreign stocks unlisted or not traded via OTC			
Haining Changmeng Technology Partnership (Limited Partnership) (1)	\$ 26,596	\$ 27,243	\$ 30,029
– Domestic stocks unlisted or not traded via OTC			
Powerchip Semiconductor Manufacturing Corporation (2)	58,704	39,984	15,150
GeneASIC Technologies Corporation (3)	<u>692</u>	<u>789</u>	<u>-</u>
	<u>\$ 85,992</u>	<u>\$ 68,016</u>	<u>\$ 45,179</u>
<u>Financial liabilities – Current</u>			
Options held for trading (4)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>9,753</u>

- (1) The Consolidated Company entered into an investment agreement with Haining Changmeng Technology Partnership (Limited Partnership) (hereinafter abbreviated as "Haining Changmeng") in August 2019, and paid RMB6,900 thousand, accounting for 24.64% of the total capital contribution. The Consolidated Company does not have the ability to influence the relevant activities and therefore does not have relevant significant influence.
- (2) In August 2019, the Consolidated Company acquired 1,500 thousand common shares of Powerchip Semiconductor Manufacturing Corporation (hereinafter abbreviated as "Powerchip") for 15,150 thousand, accounting for 0.048% of Powerchip's issued shares. In addition, the Consolidated Company also sold 700 thousand shares for 15,775 thousand in June 2020, resulting in a realized gain of 8,705 thousand. As of March 31, 2021, the Consolidated Company held 0.026% of the issued shares of Power Semiconductor Manufacturing Co., Ltd.
- (3) In August 2020, the Consolidated Company acquired 50 thousand common shares of GeneASIC Technologies Corporation (hereinafter abbreviated as GeneASIC) for 500 thousand, with a shareholding ratio of 20%, which is listed in investments accounted

for under the equity method. However, in December 2020, the Consolidated Company did not participate in GeneASIC Technologies Corporation's cash capital increase, so its shareholding ratio fell to 19.05%. After assessing the loss of significant influence on GeneASIC Technologies Corporation, its investment was measured at fair value, and the investments were listed as financial assets measured at fair value through profit or loss. The difference between the value of the financial asset and the book value was recognized as a gain on disposal of 461 thousand.

- (4) The Consolidated Company sold 24% of the shares of ZENTEL JAPAN CORP (hereinafter abbreviated as "ZENTEL Japan") on January 2, 2020, and the transaction contract included options to the transaction participants. On initial recognition, the Consolidated Company has separately identified and split the value of the option from the contract proceeds. The aforementioned options are measured at fair value through profit or loss. Please refer to Note 11 for related information.

8. Financial assets measured at amortized cost

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
<u>Current</u>			
Time deposits with original maturity more than 3 months	\$ <u>2,744</u>	\$ <u>60,215</u>	\$ <u>63,680</u>
<u>Non-current</u>			
Time deposits with original maturity more than 3 months	\$ <u>5,899</u>	\$ <u>5,865</u>	\$ <u>6,153</u>

For information on pledge of financial assets measured at amortized cost, please refer to Note 33.

9. Notes receivable, accounts receivable and other receivables

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
<u>Notes receivable (1)</u>			
Total book value measured at amortized cost	\$ <u>26,085</u>	\$ <u>-</u>	\$ <u>-</u>
<u>Accounts receivable (1)</u>			
Total book value measured at amortized cost	\$ 757,783	\$ 602,687	\$ 651,869
Less: Allowance for loss	( <u>1,235</u> )	( <u>2,086</u> )	<u>-</u>
	<u>\$ 756,548</u>	<u>\$ 600,601</u>	<u>\$ 651,869</u>

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	March 31, 2021	December 31, 2020	March 31, 2020
<u>Other receivables</u>			
Loans receivable (2)			
Fixed interest rate	\$ 365,139	\$ 381,523	\$ -
Tax refund receivable	16,641	19,198	38,276
Receivables for purchase discounts and allowances	126	-	761
Other	<u>2,864</u>	<u>1,056</u>	<u>154</u>
	<u>\$ 384,770</u>	<u>\$ 401,777</u>	<u>\$ 39,191</u>

(1) Notes receivable and accounts receivable

In order to mitigate credit risk, the management of the Consolidated Company has assigned a dedicated team to be responsible for credit line determination, credit approval and other monitoring procedures to ensure that appropriate actions have been taken to collect overdue receivables. In addition, the Consolidated Company reviews the recoverable amounts of receivables on the balance sheet date to ensure that appropriate allowance for impairment losses on uncollectible receivables has been made. Accordingly, the management of the Consolidated Company believes that the credit risk of the Consolidated Company has been significantly reduced.

The Consolidated Company recognizes an allowance for losses on notes and accounts receivable according to the lifetime expected credit loss. The lifetime expected credit loss is calculated by taking into account the customer's past default history, current financial condition and the economic situation of the industry. Since the Consolidated Company's credit loss history shows that there is no significant difference in the loss patterns of different customer groups, the expected credit loss rate is not further differentiated between customer groups and is only based on the number of days past due on notes receivable and accounts receivable.

If there is evidence that the counter-party is in serious financial difficulty and the Consolidated Company cannot reasonably expect to recover the amount, the Consolidated Company directly writes off the related notes and accounts receivable, but continues the resource activities. The amount recovered from the recourse action is recognized in profit or loss.

The Consolidated Company measured the allowance for losses on notes receivable and accounts receivable according to the provision matrix as follows:

March 31, 2021

	Not yet past due	1 to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due	181 to 360 days past due	Over 360 days past due	Total
Total book value	\$ 626,730	\$ 151,432	\$ 4,547	\$ 306	\$ -	\$ -	\$ 853	\$ 783,868
Allowance for loss (Lifetime expected credit loss)	( 117 )	( 144 )	( 107 )	( 14 )	-	-	( 853 )	( 1,235 )
Amortized cost	<u>\$ 626,613</u>	<u>\$ 151,288</u>	<u>\$ 4,440</u>	<u>\$ 292</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 782,633</u>

### December 31, 2020

	Not yet past due	1 to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due	181 to 360 days past due	Over 360 days past due	Total
Total book value	\$ 537,424	\$ 27,386	\$ 35,075	\$ -	\$ -	\$ 2,802	\$ -	\$ 602,687
Allowance for loss (Lifetime expected credit loss)	-	-	-	-	-	( 2,086 )	-	( 2,086 )
Amortized cost	<u>\$ 537,424</u>	<u>\$ 27,386</u>	<u>\$ 35,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 716</u>	<u>\$ -</u>	<u>\$ 600,601</u>

### March 31, 2020

	Not yet past due	1 to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due	181 to 360 days past due	Over 360 days past due	Total
Total book value	\$ 583,446	\$ 60,661	\$ 4,165	\$ -	\$ 3,597	\$ -	\$ -	\$ 651,869
Allowance for loss (Lifetime expected credit loss)	-	-	-	-	-	-	-	-
Amortized cost	<u>\$ 583,446</u>	<u>\$ 60,661</u>	<u>\$ 4,165</u>	<u>\$ -</u>	<u>\$ 3,597</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 651,869</u>

The information on changes in the allowance for receivables is as follows :

	January 1 to March 31, 2021	January 1 to March 31, 2020
Opening balance	\$ 2,086	\$ 2,738
Less : Current reversal of impairment loss	( 851 )	-
Less : Disposal of subsidiaries ( Note 28 )	-	( 2,738 )
Closing balance	<u>\$ 1,235</u>	<u>\$ -</u>

#### (2) Other receivables- Loans receivable

The interest rate risk exposure and contractual maturity dates of the Consolidated Company's fixed-rate loan receivables are as follows ( March 31, 2020 : None ) :

	March 31, 2021	December 31, 2020
Fixed rate loan receivables		
No more than 1 year	<u>\$ 365,139</u>	<u>\$ 381,523</u>

The contractual interest rate for the Consolidated Company's loan receivables is 0.37%. For other related explanations, please refer to Table 1 Loaning Funds to Others.

#### 10. Inventories

	March 31, 2021	December 31, 2020	March 31, 2020
Finished goods	\$ 197,630	\$ 156,564	\$ 273,578
Working in process	302,140	263,186	388,569
Raw materials	<u>219,401</u>	<u>205,305</u>	<u>300,003</u>
	<u>\$ 719,171</u>	<u>\$ 625,055</u>	<u>\$ 962,150</u>

The nature of operating costs is as follows :

	January 1 to March 31, 2021	January 1 to March 31, 2020
Cost of inventories sold	\$ 685,037	\$ 720,083
Inventory valuation losses	910	32,174
Less: Transferred to discontinued operations	-	( 2,351)
	<u>\$ 685,947</u>	<u>\$ 749,906</u>

#### 11. Discontinued operations

In response to the Group's strategic development, the Consolidated Company has gradually transferred and integrated the related business of its subsidiary, Zentel Electronics Corporation (hereinafter referred to as " Zentel"), to another subsidiary, ZENTEL JAPAN CORP (hereinafter referred to as " Zentel Japan").

On January 2, 2020, the Consolidated Company sold 24% of ZENTEL Japan's shares to Eaglestream Technology Holdings (Hong Kong) Limited (hereinafter referred to as "EGST Ltd.") and Powerchip Technology Corporation (hereinafter referred to as "Powerchip"). The contract price of US\$6,000 thousand includes US\$5,675 thousand for the equity interest and US\$325 thousand for the option provided to transaction participants. The aforementioned options are evaluated by an independent third-party appraiser using January 2, 2020 as the evaluation base date. The rights that may be exercised by the transaction participants who have acquired options under the transaction contracts are as follows: Some buyers may exercise their compulsory put rights to acquire a certain percentage of shares within 15 months from the date of settlement of the shares; the buyers may exercise the right to sell the equity interest within 15 months to 18 months from the date of settlement of the shares, if certain conditions are not met; in the event that none of the aforementioned rights are exercised, ZENTEL may exercise the right to repurchase the shares within 18 months to 21 months from the date of settlement of the shares. The purchase and sale of shares are treated as equity transactions because there is no loss of control. Please refer to Note 29.

The aforementioned transaction contract originally only provided that EGST Ltd. may exercise the compulsory purchase right, but EGST Ltd. and Powerchip requested to jointly offer to exercise the compulsory purchase right. On September 26, 2020, the Consolidated Company, with the consent of the Board of Directors, intended to sell the remaining 76% equity interest in ZENTEL Japan to EGST Ltd. and Powerchip, and authorized the President of the Company to handle matters related to the signing of the contract and the settlement. On November 30, 2020, the Consolidated Company completed the sale of its remaining shares for the proceeds of US\$22,800 thousand. ZENTEL Japan is expressed as a discontinued operation for meeting the definition of a discontinued operation.

Details of the profit and loss and cash flow information of the discontinued operations are as follows (January 1 to March 31, 2021 : None) :

	January 1 to March 31, 2020
Operating revenue	\$ 38,138
Operating costs	( 2,351)
Gross profit	35,787
R&D expenses	( 49,274)
Net operating loss	( 13,487)
Nonoperating income and expense	1,287
Net loss before tax	( 12,200)
Income tax expense	( 3)
Loss of discontinued operations	(\$ 12,203)
Loss of discontinued operations attributable to :	
Owners of the Company	(\$ 13,086)
Non-controlling interests	883
	(\$ 12,203)
Cash flows	
Operating activities	\$ 23,288
Financing activities	( 1,118)
Net cash inflow	\$ 22,170

## 12. Subsidiaries

### (1) Subsidiaries included in the consolidated financial statements

The entities of the consolidated financial statements are as follows :

Investing company	Subsidiary	Business nature	Percentage of shareholding			Remarks
			March 31, 2021	December 31, 2020	March 31, 2020	
The Company	AP Memory Corp, USA (hereinafter referred to as "AP-USA")	Design, development and sales of integrated circuits	100%	100%	100%	(1)
The Company	AP MEMORY HOLDING Co., Ltd. (hereinafter referred to as "AP-HOLDING")	Investment related businesses	-	-	-	(2)
The Company	Zentel	Design, development and sales of integrated circuits	100%	100%	100%	(3)
The Company	AP Memory Technology (Hangzhou) Co. Limited (hereinafter referred to as "AP Hangzhou")	Design, development and sales of integrated circuits	100%	100%	100%	(4)
The Company	AP Memory Japan (hereinafter referred to as "AP Japan")	Sales of integrated circuits	-	-	-	(5)
AP-HOLDING	AP Electronic(Beijing) Co., Ltd. (hereinafter referred to as "AP Beijing")	Technical consultation and service of integrated circuits	-	-	-	(6)
Zentel	Zentel Japan	Design, development and sales of integrated circuits	-	-	76%	(7)
AP Hangzhou	AP Memory Technology (Hong Kong) Co. Limited (hereinafter referred to as "AP Hong Kong")	Sales of integrated circuits	-	-	-	(8)

- (1) AP-USA was established in February 2012 in Oregon, U.S.A. and is mainly engaged in the research and development services of integrated circuits. As of May 7, 2021, the said company had remitted capital of US\$2,000 thousand.
- (2) In response to the growth of the reinvested enterprises and the planning of future operational development, the Company invested in the establishment of a subsidiary, AP-HOLDING, in the Republic of Seychelles in April 2015, and AP-HOLDING re-invested and established AP Beijing. AP-HOLDING is mainly engaged in investment-related businesses.

On March 2, 2020, the Consolidated Company resolved to sell 100% of AP-HOLDING's shares in accordance with the operational adjustment, and the settlement of the shares was completed for US\$230 thousand on March 20, 2020. Please refer to Note 28 for related information.

- (3) In order to integrate resources and exert the synergies of economies of scale, the Company publicly acquired the common shares of Zentel Electronics Corporation through the Board of Directors' resolution on September 2, 2016. As of the expiry date of the acquisition period, a total of 55.24% of Zentel Electronics Corporation's shares were acquired for the proceeds of \$544,291 thousand. On June 19, 2017, the Company acquired 44.76% of Zentel Electronics Corporation's remaining outstanding shares by a share swap using cash as consideration in accordance with the relevant provisions of the Business Mergers And Acquisitions Act for a purchase proceeds of \$441,040 thousand. So far, the Company has acquired 100% of the equity interest in Zentel Electronics Corporation. Zentel Electronics Corporation is engaged in the design, development and sales of integrated circuit products. For the purpose of operational planning and the needs to improve the efficiency of capital utilization, it was resolved to reduce its capital and refund \$279,533 thousand, with a capital reduction ratio of 41.14%, and the record date of the capital reduction was August 9, 2019. The change registration has been completed. Please refer to Note 11 for the business adjustment of Zentel Electronics Corporation in accordance with the Group's strategy. As of May 7, 2021, the said company's paid-in capital was \$400,000 thousand.
- (4) AP Hangzhou was established in Hangzhou in December 2017, and it is mainly engaged in the design, development and sales of integrated circuits. As of May 7, 2021, the said company's paid-in capital was US\$1,000 thousand.
- (5) AP Japan was established in Japan in September 2019 for the purpose of engaging in sales of integrated circuits. The said company was resolved to be dissolved on September 18, 2020 in accordance with the operational adjustment and the registration was completed on November 2, 2020.

- (6) AP Beijing was established in Beijing in October 2015 and is mainly engaged in technical consulting and services for integrated circuits. The Consolidated Company sold AP-HOLDING on March 20, 2020, and at the same time the Consolidated Company lost control of AP Beijing which is 100% held by AP-HOLDING.
- (7) ZENTEL Japan was established in Japan in September 2003 and is mainly engaged in the development, design and sales of integrated circuits. The Consolidated Company sold ZENTEL Japan on November 30, 2020 in response to business adjustment of the Group's strategies. Please refer to Note 11 for details.
- (8) AP Hangzhou established AP Memory Technology (Hong Kong) Co. Limited in Hong Kong in October 2019, which is mainly engaged in the sales of integrated circuits. As of May 7, 2021, AP Hong Kong has not actually injected capital.
- (2) Information on subsidiaries with significant noncontrolling interests ( March 31, 2021 and December 31, 2020 : None )

Subsidiary	Shares held by non-controlling interests and proportion of voting rights
	March 31, 2020
Zentel Japan	24%

Please refer to Table 7 for the information on the countries of the principal business premises and company registration.

Subsidiary	Comprehensive income allocated to noncontrolling interests	Non-controlling Interests
	January 1 to March 31, 2020	March 31, 2020
Zentel Japan	\$ <u>883</u>	\$ <u>15,104</u>

The following summarized financial information of ZENTEL Japan is prepared based on amounts before elimination of intercompany transactions :

	March 31, 2020
Current assets	\$ 447,377
Non-current assets	8,991
Current liabilities	( 393,435 )
Equity	<u>\$ 62,933</u>
Equity attributable to :	
Owners of the Company	\$ 47,829
Non-controlling Interests	<u>15,104</u>
	<u>\$ 62,933</u>

	January 1 to March 31, 2020
Operating revenue	<u>\$ 233,103</u>
Current net income	\$ 3,678
Other comprehensive income	<u>-</u>
Total comprehensive income	<u>\$ 3,678</u>
Net income attributable to :	
Owners of the Company	\$ 2,795
Non-controlling Interests	<u>883</u>
	<u>\$ 3,678</u>
Comprehensive income attributable to :	
Owners of the Company	\$ 2,795
Non-controlling Interests	<u>883</u>
	<u>\$ 3,678</u>
Cash flows	
Operating activities	\$ 23,288
Financing activities	<u>( 1,118)</u>
Net cash inflow	<u>\$ 22,170</u>

### 13. Investments accounted for using equity method

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
<u>Investment in affiliated companies</u>			
Individually insignificant affiliated companies			
Lyontek Inc. ( Hereinafter referred to as “Lyontek” )	<u>\$ 82,998</u>	<u>\$ 79,905</u>	<u>\$ 84,423</u>
	<u>January 1 to March 31, 2021</u>		<u>January 1 to March 31, 2020</u>
Consolidated Company’s share of			
Current net income	<u>\$ 3,093</u>		<u>\$ 1,898</u>
Total comprehensive income	<u>\$ 3,093</u>		<u>\$ 1,898</u>

The Consolidated Company holds 30% of the shares of Lyontek. The goodwill of \$2,610 thousand arising from the acquisition of Lyontek was included in the cost of investment in affiliated companies.

The calculation of the share of income or loss and other comprehensive income of affiliated companies using the equity method is based on the financial statements not yet reviewed by accountants. However, the management of the Consolidated Company believes that no material effect shall arise from the unreviewing of the aforementioned invested companies' financial statements.

#### 14. Property, plant and equipment

	Machinery and equipment	Computer communication equipment	Office equipment	Leasehold improvements	Total
<u>Costs</u>					
Balance as of January 1, 2021	\$ 103,762	\$ 7,938	\$ 5,632	\$ 6,718	\$ 124,050
Addition	1,405	1,055	83	-	2,543
Net exchange difference	( 7 )	1	( 15 )	( 10 )	( 31 )
Balance as of March 31, 2021	<u>105,160</u>	<u>8,994</u>	<u>5,700</u>	<u>6,708</u>	<u>126,562</u>
<u>Accumulated depreciation</u>					
Balance as of January 1, 2021	99,030	6,723	5,129	5,159	116,041
Depreciation expense	650	500	233	299	1,682
Net exchange difference	( 3 )	1	( 10 )	( 8 )	( 20 )
Balance as of March 31, 2021	<u>99,677</u>	<u>7,224</u>	<u>5,352</u>	<u>5,450</u>	<u>117,703</u>
Net as of December 31, 2020	<u>\$ 4,732</u>	<u>\$ 1,215</u>	<u>\$ 503</u>	<u>\$ 1,559</u>	<u>\$ 8,009</u>
Net as of March 31, 2021	<u>\$ 5,483</u>	<u>\$ 1,770</u>	<u>\$ 348</u>	<u>\$ 1,258</u>	<u>\$ 8,859</u>
<u>Costs</u>					
Balance as of January 1, 2020	\$ 109,310	\$ 8,950	\$ 7,619	\$ 5,815	\$ 131,694
Addition	-	-	489	-	489
Disposal of subsidiaries (Note 28)	-	( 205 )	-	-	( 205 )
Net exchange difference	77	7	( 5 )	( 15 )	64
Balance as of March 31, 2020	<u>109,387</u>	<u>8,752</u>	<u>8,103</u>	<u>5,800</u>	<u>132,042</u>
<u>Accumulated depreciation</u>					
Balance as of January 1, 2020	102,252	5,876	5,240	3,472	116,840
Depreciation expense	2,718	483	365	480	4,046
Disposal of subsidiaries (Note 28)	-	( 194 )	-	-	( 194 )
Net exchange difference	66	5	( 2 )	( 7 )	62
Balance as of March 31, 2020	<u>105,036</u>	<u>6,170</u>	<u>5,603</u>	<u>3,945</u>	<u>120,754</u>
Net as of March 31, 2020	<u>\$ 4,351</u>	<u>\$ 2,582</u>	<u>\$ 2,500</u>	<u>\$ 1,855</u>	<u>\$ 11,288</u>

Depreciation expense is provided on a straight-line basis over the following useful lives :

Machinery and equipment	2-5 years
Computer communication equipment	3-7 years
Office equipment	3-7 years
Leasehold improvements	3-5years

## 15. Lease agreement

### (1) Right-of-use assets

	March 31, 2021	December 31, 2020	March 31, 2020
Book value of right-of-use assets			
Buildings	\$ 9,874	\$ 12,479	\$ 19,196
Machinery and equipment	<u>98,533</u>	<u>33,617</u>	<u>-</u>
	<u>\$ 108,407</u>	<u>\$ 46,096</u>	<u>\$ 19,196</u>
		January 1 to March 31, 2021	January 1 to March 31, 2020
Addition of right-of-use assets		<u>\$ 69,553</u>	<u>\$ -</u>
Depreciation expense on right-of-use assets			
Buildings		\$ 2,583	\$ 3,821
Machinery and equipment		4,637	-
Less : Depreciation expense from discontinued operations		<u>-</u>	<u>( 1,108 )</u>
		<u>\$ 7,220</u>	<u>\$ 2,713</u>

### (2) Lease liabilities

	March 31, 2021	December 31, 2020	March 31, 2020
Book value of lease liabilities			
Current	\$ 39,485	\$ 19,830	\$ 10,604
Non-current	<u>\$ 67,754</u>	<u>\$ 25,090</u>	<u>\$ 6,979</u>

The discount rate range for lease liabilities is as follows :

	March 31, 2021	December 31, 2020	March 31, 2020
Buildings	1.68% ~ 3.58%	1.68% ~ 3.58 %	1.68% ~ 3.58 %
Machinery and equipment	1.8%	1.8%	-

### (3) Other lease information

	January 1 to March 31, 2021	January 1 to March 31, 2020
Short-term lease expense	\$ 606	\$ 2,289
Less : Short-term lease expense from discontinued operations	<u>-</u>	<u>( 47 )</u>
	<u>\$ 606</u>	<u>\$ 2,242</u>
Total cash outflow for leases	<u>( \$ 7,877 )</u>	<u>( \$ 6,836 )</u>

The Consolidated Company elected to apply a recognition exemption to office and certain parking spaces that qualify as low-value asset leases and not to recognize the related right-of-use assets and lease liabilities for these leases.

## 16. Goodwill

The information on changes in goodwill is as follows ( January 1 to March 31, 2021 :  
None )

	January 1 to March 31, 2020
Opening and closing balance	<u>\$ 76,204</u>

## 17. Other intangible assets

	Computer software	Technology licensing	Customer relationships	Total
<u>Costs</u>				
Balance as of January 1, 2021	\$ 109,828	\$ -	\$ -	\$ 109,828
Current increase	476	-	-	476
Net exchange difference	88	-	-	88
Balance as of March 31, 2021	<u>\$ 110,392</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,392</u>
<u>Accumulated amortization</u>				
Balance as of January 1, 2021	\$ 74,725	\$ -	\$ -	\$ 74,725
Amortization expense	6,772	-	-	6,772
Net exchange difference	63	-	-	63
Balance as of March 31, 2021	<u>\$ 81,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,560</u>
Net as of December 31, 2020	<u>\$ 35,103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,103</u>
Net as of March 31, 2021	<u>\$ 28,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,832</u>
<u>Costs</u>				
Balance as of January 1, 2020	\$ 86,767	\$ 114,586	\$ 789	\$ 202,142
Current increase	439	-	-	439
Net exchange difference	245	-	-	245
Balance as of March 31, 2020	<u>\$ 87,451</u>	<u>\$ 114,586</u>	<u>\$ 789</u>	<u>\$ 202,826</u>
<u>Accumulated amortization</u>				
Balance as of January 1, 2020	\$ 57,909	\$ 36,287	\$ 237	\$ 94,433
Amortization expense	4,000	2,865	19	6,884
Net exchange difference	245	-	-	245
Balance as of March 31, 2020	<u>\$ 62,154</u>	<u>\$ 39,152</u>	<u>\$ 256</u>	<u>\$ 101,562</u>
Net as of March 31, 2020	<u>\$ 25,297</u>	<u>\$ 75,434</u>	<u>\$ 533</u>	<u>\$ 101,264</u>

The amortization expense is provided on a straight-line basis over the following useful lives :

Computer software	3 years
Technology licensing	10 years
Customer relationships	10.5 years

18. Other assets

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
<u>Current</u>			
Tax overpaid retained for offsetting the future tax payable	\$ 16,646	\$ 6,594	\$ 20,656
Prepayment for purchases	-	-	3,599
Photomasks and probe cards	-	-	5,491
Other	<u>3,286</u>	<u>1,829</u>	<u>8,654</u>
	<u>\$ 19,932</u>	<u>\$ 8,423</u>	<u>\$ 38,400</u>
<u>Non-current</u>			
Photomasks and probe cards	<u>\$ 192,610</u>	<u>\$ 141,152</u>	<u>\$ 85,910</u>

19. Borrowings

Short-term borrowings ( March 31, 2021 : None )

	<u>December 31, 2020</u>	<u>March 31, 2020</u>
<u>Secured borrowings</u> ( Note 33 )		
Bank loans	\$ 45,473	\$ 47,296
<u>Unsecured borrowings</u>		
Credit line borrowings	<u>85,140</u>	<u>200,000</u>
	<u>\$ 130,613</u>	<u>\$ 247,296</u>

The secured borrowings is AP Hangzhou's borrowings secured by a letter of financial guarantee issued by CTBC Bank, which is guaranteed by Zentel Electronics Corporation's time deposit, and the borrowing rate was 2.21% and 2.214% as of December 31, 2020 and March 31, 2020, respectively

The loan interest rates of the credit line were 0.72% and 1.15% to 1.20% as of December 31, 2020 and March 31, 2020, respectively.

20. Other liabilities

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
<u>Current</u>			
<u>Other payables</u>			
Compensation payable to customer complaint (1)	\$ 156,604	\$ 195,435	\$ 100,000
Employees' compensation payable	54,720	36,649	5,570
Payable to photomasks and probe cards	41,083	20,737	3,951
Salaries and bonuses payable	29,368	35,518	462
Remuneration payable to directors	10,800	9,000	1,250

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	March 31, 2021	December 31, 2020	March 31, 2020
Leave pay payable	\$ 5,756	\$ 3,688	\$ 4,371
Health and labor insurance premiums payable	2,075	1,673	1,381
Service expense payable	1,969	2,268	1,889
Pension payable	1,632	1,508	1,325
Other	<u>18,925</u>	<u>26,262</u>	<u>14,765</u>
	<u>\$ 322,932</u>	<u>\$ 332,738</u>	<u>\$ 134,964</u>
Other liabilities			
Contract liabilities	\$ 116,259	\$ 88	\$ 13,413
Receipts under custody	2,573	1,725	3,007
Other	<u>2</u>	<u>562</u>	<u>2</u>
	<u>\$ 118,834</u>	<u>\$ 2,375</u>	<u>\$ 16,422</u>
<u>Non-current</u>			
Long-term payables			
Compensation payable to customer complaint (1)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,714</u>

- Due to a customer complaint rising from a specification problem in a specific batch of customized products, after negotiating with the customer suffering the loss, the Consolidated Company recorded a loss of \$342,309 thousand in the first quarter of 2019, which shall be offset by subsequent payments for goods in three years, and provided a guarantee of \$200 million to the related customer as a guarantee until the liabilities are settled. At the end of 2019, the Company recognized the related loss with the customer suffering the loss and transferred the related liability provision to other payables. As of March 31, 2021, the Company still had \$156,604 thousand in liabilities to be settled.

#### 21. Post-employment benefit plan

##### Defined contribution plan

The pension system of the " Labor Pension Act " applicable to the Company in the Consolidated Company is a government-managed defined retirement plan. The Company contributes 6% of the employee's monthly salary to the individual accounts of the Bureau of Labor Insurance.

The employees of the Consolidated Company's subsidiaries in China, the United States and Japan are members of the retirement benefit plans operated by the local governments. The subsidiary is required to contribute a specified percentage of payroll costs to a retirement benefit plan to fund the plan. The Consolidated Company's obligation to this government-operated retirement benefit plan is only to contribute a specified amount.

## 22. Equity

### (1) Share capital

#### Common shares

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Authorized number of shares (thousand shares)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Authorized share capital	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of issued and fully paid shares (in thousands of shares)	<u>74,339</u>	<u>74,231</u>	<u>73,915</u>
Issued share capital	<u>\$ 743,386</u>	<u>\$ 742,316</u>	<u>\$ 739,157</u>
Share capital collected in advance	<u>\$ -</u>	<u>\$ 532</u>	<u>\$ -</u>

The issued common shares have a par value of NT\$ 10 per share, and each share is entitled to one vote and the right to receive dividends.

The Company issued 107 thousand new shares and 62 thousand new shares from January 1 to March 31, 2021 and 2020, respectively, due to the execution of employee stock warrants by employees.

### (2) Capital reserves

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
<u>May be used to offset losses, distribute cash or contribute to share capital (1)</u>			
Shares issued at a premium	\$ 630,400	\$ 625,315	\$ 610,719
Difference between consideration and book value of subsidiaries acquired or disposed (Note 29)	<u>153,042</u>	<u>153,042</u>	<u>153,042</u>
	<u>783,442</u>	<u>778,357</u>	<u>763,761</u>
<u>May only be used to offset losses (2)</u>			
Executed and lapsed employees stock warrants	182,967	180,740	172,087
Vested new restricted stock award shares issued to employees	47,595	47,595	46,394
Employee stock warrants retained for cash capital increase	467	467	467
Changes in the ownership interest in subsidiaries recognized using the equity method	<u>401</u>	<u>401</u>	<u>2</u>
	<u>231,430</u>	<u>229,203</u>	<u>218,950</u>
<u>Not to be used for any purpose</u>			
Employee stock warrants	16,621	13,162	13,529
Restricted stock award shares issued to employees	<u>-</u>	<u>-</u>	<u>1,201</u>
	<u>16,621</u>	<u>13,162</u>	<u>14,730</u>
	<u>\$ 1,031,493</u>	<u>\$ 1,020,722</u>	<u>\$ 997,441</u>

1. Such capital reserves may be used to offset losses or, when the Company has no losses, to pay cash dividends or to contribute to share capital, provided that the capitalization is limited to a certain percentage of the paid-in capital each year.
  2. Capital reserves from the exercise and lapse of employee stock warrants, the vesting of new restricted stock award shares issued to employees, the retention of employee stock warrants through cash capital increases, and the recognition of changes in ownership interests in subsidiaries may not be used for any purpose other than to offset losses.
- (3) Retained earnings and dividend policy

In accordance with the Company's Articles of Association, if there is any surplus in the annual accounts, after paying tax and offsetting accumulated losses, 10% shall be set aside as legal reserve, and the rest shall be set aside or reversed to special reserve as required by law. If there is still a surplus remained, the Board of Directors shall prepare a proposal for the distribution of the earnings and submit it to the shareholders' meeting for resolution to distribute dividends and bonuses to shareholders. The Company's policy on the distribution of employees' and directors' compensation as stipulated in the Company's Articles of Association is described in Note 24(c) Employees' compensation and Directors' compensation.

In consideration of the Company's environment and growth phase, and in light of future funds requirements and long-term financial planning, dividends may be distributed in the form of cash dividends or stock dividends, with cash dividends accounting for no less than 20% of the dividends distributed to shareholders.

The aforementioned dividend payout ratio may be adjusted by a resolution of the shareholders' meeting depending on the Company's actual profitability and funds in the current year.

The legal reserve should be appropriated until the reserve equals the Company's paid-in capital. The legal reserve may be used to offset losses. If the Company has no losses, the extent of the legal reserve exceeding 25% of the paid-in capital may be distributed in cash, in addition to contributed to share capital.

At the Board of Directors' meeting held on March 12, 2021 and the regular shareholders' meeting held on June 15, 2020, the Company proposed and resolved to approve the earnings distribution of 2020 and 2019, respectively, as follows :

	<u>2020</u>	<u>2019</u>
Legal reserves	\$ <u>81,171</u>	\$ <u>-</u>
Contribution (Reversal) of Special reserve	(\$ <u>4,576</u> )	\$ <u>1,351</u>
Cash dividends	\$ <u>370,373</u>	\$ <u>73,682</u>
Cash dividends per share (NT\$)	\$ 5.0	\$ 1.0

The 2019 actual distributed cash dividend per share was adjusted to \$0.99742797 due to the exercise of employee stock warrants.

The 2020 distribution of earnings is pending on the resolution of the regular meeting of shareholders scheduled to be held on June 17, 2021.

(4) Other equity items

1. Exchange differences on translation of foreign operations' financial statements

	January 1 to March 31, 2021	January 1 to March 31, 2020
Opening balance	<u>\$ 10,042</u>	<u>(\$ 4,576)</u>
Current exchange differences arising from foreign operations	( 501 )	694
Reclassification adjustments Disposal of foreign operations( Note 28 )	<u>-</u>	<u>1,554</u>
Current other comprehensive income	( <u>501</u> )	<u>2,248</u>
Disposal of partial interest in a subsidiary	<u>-</u>	<u>3,593</u>
Closing balance	<u>\$ 9,541</u>	<u>\$ 1,265</u>

2. Unearned employee compensation ( January 1 to March 31, 2021 : None )

Please refer to Note 27 for the relevant description of the Company's issue of new restricted stock award shares issued to employees.

	January 1 to March 31, 2020
Opening balance	<u>(\$ 1,120)</u>
Recognized share-based payment expense	<u>921</u>
Closing balance	<u>(\$ 199)</u>

(5) Non-controlling interests ( January 1 to March 31, 2021 : None )

	January 1 to March 31, 2020
Opening balance	<u>\$ -</u>
Current net income	883
Exchange differences on translation of foreign operations' financial statements	151
Changes in ownership interest in subsidiaries	( 2 )
Disposal of partial interest in a subsidiary	<u>14,072</u>
Closing balance	<u>\$ 15,104</u>

(6) Treasury shares

	Shares transferred to employees (in thousands of shares)
<u>January 1 to March 31, 2021</u>	
Opening and closing balance	\$ <u>258</u>
<u>January 1 to March 31, 2020</u>	
Opening and closing balance	\$ <u>258</u>

On October 8, 2018, the Company's Board of Directors resolved to repurchase treasury shares for the period from October 9, 2018 to December 8, 2018 for the purpose of transferring shares to employees. The number of shares bought back was 258 thousand shares for a total of \$11,246 thousand.

In accordance with the Securities and Exchange Act, the number of shares bought back by the Company shall not exceed 10% of the total number of issued shares. The total amount of shares bought back shall not exceed the amount of retained earnings plus premiums on issued shares and realized capital reserves. The shares bought back by the Company for transferring to employees shall be transferred within three years from the date of purchase. If the shares are not transferred after the expiration date, they shall be deemed as the Company's unissued shares and shall be registered for change. For the shares bought back by the Company to protect the Company's credit and shareholders' rights and benefits, the shares shall be cancelled and the change registration shall be handled within 6 months from the date of purchase. The treasury shares held by the Company cannot be pledged under the Securities and Exchange Act and is not entitled to shareholders' rights until they are transferred.

23. Revenues

	January 1 to March 31, 2021	January 1 to March 31, 2020
Revenue from contracts with customers		
Revenue from sales of goods	\$ 1,137,753	\$ 830,881
Service revenue	87,542	61,022
Other revenue	<u>1,910</u>	<u>6,113</u>
	<u>\$ 1,227,205</u>	<u>\$ 898,016</u>

(1) Description of contracts with customers

1. Revenue from sales of goods

Revenue from sales of goods is derived from sales of integrated circuit products. Since the customer has the right to set price and use the product at the time of the goods' departure from the premises, and bears the main responsibility for resale and the risk of product obsolescence, the Consolidated Company recognizes revenue and accounts receivable at this point in time.

For processing subcontract, the control of the ownership of the processed product has not been transferred, so revenue is not recognized for processing subcontract.

2. Service revenue

Service revenue is recognized as revenue arising from the provision of technology services of design and research and development under the contracts, based on the extent of contract completion.

(2) Contractual balance

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>	<u>January 1, 2020</u>
Notes and accounts receivable (Note 9)	<u>\$ 782,633</u>	<u>\$ 600,601</u>	<u>\$ 651,869</u>	<u>\$ 588,346</u>
Contract liabilities (Note 20)				
Product sales	<u>\$ 116,259</u>	<u>\$ 88</u>	<u>\$ 13,413</u>	<u>\$ 6,546</u>

Changes in contract liabilities are mainly due to the difference between the time when performance obligations are fulfilled and the time when customers make payments.

24. Net income from continuing operations

(1) Depreciation and amortization

	<u>January 1 to March 31, 2021</u>	<u>January 1 to March 31, 2020</u>
Depreciation expense summarized by function		
Cost of goods sold	\$ 5,052	\$ 2,586
Operating expenses	<u>3,850</u>	<u>4,045</u>
	<u>\$ 8,902</u>	<u>\$ 6,631</u>
Amortized expense summarized by function		
Cost of goods sold	\$ 43	\$ 1,012
Operating expenses	<u>6,729</u>	<u>5,872</u>
	<u>\$ 6,772</u>	<u>\$ 6,884</u>

(2) Employee benefit expenses

	<u>January 1 to March 31, 2021</u>	<u>January 1 to March 31, 2020</u>
Post-employment benefits (Note 21)		
Defined contribution plans	<u>\$ 2,822</u>	<u>\$ 1,809</u>
Share-based payment		
Equity settlement	<u>5,686</u>	<u>3,006</u>

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	January 1 to March 31, 2021	January 1 to March 31, 2020
Other employee benefits		
Payroll expense	\$ 95,327	\$ 53,155
Labor and health insurance expenses	4,344	3,344
Other employment expenses	<u>3,564</u>	<u>3,256</u>
	<u>103,235</u>	<u>59,755</u>
Total employee benefit expense	<u>\$ 111,743</u>	<u>\$ 64,570</u>
Summarized by function		
Cost of goods sold	\$ 12,183	\$ 12,060
Operating expenses	<u>99,560</u>	<u>52,510</u>
	<u>\$ 111,743</u>	<u>\$ 64,570</u>

(3) Employees' compensation and Directors' compensation

In accordance with the Company's Articles of Association, the Company contributes no less than 1% and no more than 3% of the income before tax for the year, before deducting employees' and directors' compensation, to the employees' compensation and Directors' compensation.

The employees' compensation and Directors' compensation estimated from January 1 to March 31, 2021 and January 1 to March 31, 2020 are as follows :

Estimated ratio	January 1 to March 31, 2021	January 1 to March 31, 2020
Employees' compensation	3.30%	1.63%
Directors' compensation	0.41%	0.59%

  

Amount	January 1 to March 31, 2021	January 1 to March 31, 2020
Employees' compensation	\$ 14,414	\$ 692
Directors' compensation	1,800	250

If there is any change in the amount after the adoption date of the annual consolidated financial statements, it shall be treated, in accordance with the change in accounting estimate, as an adjustment to the accounts in the following year.

The employees' compensation and Directors' compensation of 2020 were resolved by the Board of Directors on March 12, 2021 as follows :

	<u>Cash</u>
	<u>2020</u>
Employees' compensation	\$ 34,592
Directors' compensation	8,000

The employees' compensation and Directors' compensation have not been estimated because of the loss before tax in 2019.

There was no difference between the actual amount of employees' and Directors' compensation distributed in 2020 and the amount recognized in the consolidated financial statements of 2020.

Please refer to the "Market Observation Post System" of the Taiwan Stock Exchange for information on the employees' and Directors' compensation resolved by the Company's Board of Directors.

(4) Gains and losses on foreign currency exchange

	<u>January 1 to March</u>	<u>January 1 to March</u>
	<u>31, 2021</u>	<u>31, 2020</u>
Total gain on foreign currency exchange	\$ 16,300	\$ 22,450
Total loss on foreign currency exchange	( <u>14,712</u> )	( <u>10,374</u> )
Net gain	<u>\$ 1,588</u>	<u>\$ 12,076</u>

25. Income tax from continuing operations

(1) Income tax recognized in profit or loss

The major components of income tax expense are as follows :

	<u>January 1 to March</u>	<u>January 1 to March</u>
	<u>31, 2021</u>	<u>31, 2020</u>
Current income tax created in the current period	\$ 51,824	\$ -
Deferred income tax created in the current period	<u>18,248</u>	<u>5,571</u>
Income tax expense recognized in profit or loss	<u>\$ 70,072</u>	<u>\$ 5,571</u>

(2) Assessment of income tax

The filing of the profit-seeking enterprise income tax returns of the Company and its subsidiary, Zentel, has been assessed by the tax authorities for the years ended December 31, 2019.

26. Earnings per share

Unit : New Taiwan dollar per share

	<u>January 1 to March 31, 2021</u>	<u>January 1 to March 31, 2020</u>
Basic earnings per share		
from continuing operations	\$ 4.73	\$ 0.67
from discontinued operations	<u>-</u>	<u>(0.18)</u>
	<u>\$ 4.73</u>	<u>\$ 0.49</u>
Diluted earnings per share		
from continuing operations	\$ 4.66	\$ 0.67
from discontinued operations	<u>-</u>	<u>(0.18)</u>
	<u>\$ 4.66</u>	<u>\$ 0.49</u>

The weighted-average number of common shares and earnings used in the calculation of earnings per share were as follows :

Current net income

	<u>January 1 to March 31, 2021</u>	<u>January 1 to March 31, 2020</u>
Net income for basic and diluted earnings per share	\$ 350,372	\$ 35,999
Add: Net loss of discontinued operations for basic and diluted earnings per share of discontinued operations	<u>-</u>	<u>13,086</u>
Net income for basic and diluted earnings per share of continuing operations	<u>\$ 350,372</u>	<u>\$ 49,085</u>

Number of shares

Units: Thousands of shares

	<u>January 1 to March 31, 2021</u>	<u>January 1 to March 31, 2020</u>
Weighted average number of common shares for the purpose of basic earnings per share	74,041	73,588
Effects of potential common shares with dilution effect :		
Employee stock warrants	1,127	432
New restricted stock award shares issued to employees	-	40
Employees' compensation	<u>53</u>	<u>8</u>
Weighted average number of common shares for the purpose of diluted earnings per share	<u>75,221</u>	<u>74,068</u>

If the Company may choose between to pay employees' compensation in stock or cash, the Company shall assume that employee compensation will be paid in stock, and include these potential common shares, when they have dilution effect, in the weighted-average number of outstanding common shares for the purpose of calculating diluted earnings per share. The Company shall continue to consider the dilutive effect of these potential common shares in the calculation of diluted earnings per share before the resolution on the number of shares to be awarded to employees is made in the following year.

## 27. Share-based payment agreement

### (1) Employee stock warrants plan

Grant date	2021.03.12	2020.09.26	2019.12.20	2019.04.26	2018.11.09	2017.01.25	2014.11.30
Approval date by the Board of Directors	2020.08.07	2020.08.07	2019.04.26	2018.08.08	2018.08.08	2016.11.03	2014.07.17
Units granted	69,430	319,000	750,000	8,000	692,000	680,000	1,800,000
Exercise price(NT\$) (Note 1)	781	333.5	83.7	43.85	44.8	81.70	36.76
Number of shares subscribed per unit	One common share						
Recipients	Employees of the Company and subsidiaries who meet certain criteria	Employees of the Company and subsidiaries who meet certain criteria	Employees of the Company and subsidiaries who meet certain criteria	Employees of the Company and subsidiaries who meet certain criteria	Employees of the Company and subsidiaries who meet certain criteria	Employees of the Company and subsidiaries who meet certain criteria	Employees of the Company and subsidiaries who meet certain criteria
Vesting conditions (Note 2)	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 40% 3 years 30% 4 years 30%	3 months 40% 2 years 30% 3 years 30%
Duration (years)	10	10	10	10	10	10	6

Note 1 : After the stock warrants are issued, the exercise price of the stock warrants will be adjusted according to the prescribed formula when there is a change in the Company's common shares or when certain conditions for the distribution of cash dividends are met.

Note 2 : It is calculated after the employee stock warrants are granted.

Information on the employee stock warrants issued is as follows :

Employee stock warrants	January 1 to March 31, 2021		January 1 to March 31, 2020	
	Number of shares	Weighted average exercise price(NT\$)	Number of shares	Weighted average exercise price(NT\$)
Outstanding at the beginning of the period	1,540,000	\$ 123.40	1,773,000	\$ 66.54
Granted in the current period	69,430	781.00	-	-
Exercised in the current period	( 107,000 )	57.53	( 62,200 )	73.18
Elapsed in the current period	( 4,000 )	333.50	( 40,600 )	56.08
Outstanding at the end of the period	<u>1,498,430</u>	158.02	<u>1,670,200</u>	66.54
Executable at the end of the period	<u>7,000</u>	73.18	<u>270,500</u>	60.38
Weighted average fair value of stock warrants granted during the period (NT\$)	<u>\$ 322.04</u>		<u>\$ -</u>	

The weighted-average share prices of the employee stock warrants exercised from January 1 to March 31, 2021 and 2020 were \$587.02 and \$73.18, respectively, on the date of exercise.

Information on outstanding employee stock warrants is as follows :

March 31, 2021			December 31, 2020			March 31, 2020		
Issue date	Exercise price(NT\$)	Weighted-average remaining contractual term(years)	Issue date	Exercise price(NT\$)	Weighted-average remaining contractual term (years)	Issue date	Exercise price(NT\$)	Weighted-average remaining contractual term (years)
2017.01.25	73.18	5.82	2017.01.25	73.18	6.07	2014.11.30	\$ 15.46	0.67
2018.11.09	44.30	7.61	2018.11.09	44.30	7.86	2017.01.25	73.18	6.82
2019.04.26	43.30	8.07	2019.04.26	44.30	8.32	2018.11.09	44.26	8.61
2019.12.20	83.50	8.72	2019.12.20	83.50	8.97	2019.04.26	43.32	9.07
2020.09.26	333.50	9.49	2020.09.26	333.50	9.75	2019.12.20	83.70	9.72
2021.03.12	781.00	9.95						

The employee stock warrants granted in March 2021 and September 2020 were priced using a binominal option pricing model with the following parameters :

Year granted	March 2021	September 2020
Fair value on grant date	NT\$259.14~374.71	NT\$108.79~161.73
Exercise price	NT\$781.00	NT\$333.50
Expected volatility	55.64%	54.68%
Expected duration	6~7.5 years	6~7.5 years
Expected dividend rate	-	-
Risk-free interest rate	0.40%~0.46%	0.35%~0.38%

The expected volatility is based on the historical stock price volatility of the industry and the Company assumes that employees will exercise their stock warrants at the midpoint between the expiration of the vesting period and the expiration date of the duration.

The compensation cost recognized from January 1 to March 31, 2021 and 2020 was \$5,686 thousand and \$2,079 thousand, respectively.

(2) New restricted stock award shares issued to employees

Approval date of shareholders' meeting	106.6.19
Number of shares issued (in thousands of shares)	500
Issue amount	Bonus issue
Effective Date of the registration approved by the FSC	2017.07.18

The rights restricted until the vesting conditions are met, after employees are granted with new shares, are as follows :

1. Employees shall not sell, transfer, give to others, create other rights or encumbrances, or otherwise dispose of such new restricted stock award shares issued to employees.
2. The exercise of motions, remarks, voting rights and other matters related to shareholders' rights and interests are entrusted to a trustee or custodian, whichever is applicable.

3. The allotment of shares (including capital increase out of earnings or capital reserves) and the allotment of dividends (including cash dividends and cash distributed out of reserves) derived from the new restricted stock award shares issued to employees which are not yet vested for any reason, and the shares and dividends derived from such portion of the allotted shares and dividends, are subject to the same restrictions (including but not limited to transfer and calculation of vesting conditions) as the said batch of the new restricted stock award shares issued to employees which are not yet vested.

If an employee fails to meet the vesting conditions, the Company has the right to take back his or her shares without compensation and cancel them.

The changes in the new restricted stock award shares issued to employees from January 1 to March 31, 2020 are as follows 109( January 1 to March 31, 2021 : None ):

	Number of shares (thousand shares) January 1 to March 31, 2020
Number of shares outstanding at the beginning of the period	53
Current vesting	( 38 )
Closing balance	<u>15</u>

As of March 31, 2020, the relevant information on the Company's outstanding new restricted stock award shares issued to employees is as follows :

Date of Board's resolution	Grant date / record date	Fair value per share on the grant date	Exercise price	Number of shares granted (thousand shares)	Vesting period
2018.04.30	2018.05.15	87.50	-	15	2 years

The compensation cost recognized from January 1 to March 31, 2020 is 921 thousand.

## 28. Disposal of subsidiaries

On March 2, 2020 and September 26, 2020, the Consolidated Company resolved to dispose of AP HOLDING, a subsidiary, and ZENTEL Japan, a sub-subsidiary, and completed the transfer of shares on March 20, 2020 and November 30, 2020, respectively, losing control of the subsidiaries.

### (1) Consideration received

	AP HOLDING	ZENTEL Japan
Cash	<u>\$ 6,946</u>	<u>\$ 656,869</u>

(2) Analysis of assets and liabilities (loss of control)

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

(3) Gain (loss) on disposal of subsidiaries

	<u>AP HOLDING</u>	<u>ZENTEL Japan</u>
Consideration received	\$ 6,946	\$ 656,869
Disposal of net assets	( 10,931)	( 240,232)
Non-controlling interests	-	22,979
Cumulative exchange differences on loss of control over subsidiaries reclassified from equity to profit or loss	( 1,554)	( 11,267)
Gain (loss) on disposal	<u>( \$ 5,539)</u>	<u>\$ 428,349</u>

(4) Net cash outflow of disposal of subsidiaries

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

29. Equity transactions with non-controlling interests

On January 2, 2020, the Consolidated Company disposed of 24% of ZENTEL Japan's shares, resulting in a decrease in the shareholding ratio from 100% to 76%.

Since the above transaction did not change the Consolidated Company's control over the said subsidiary, the Consolidated Company treated it as an equity transaction.

	<u>ZENTEL Japan</u>
Consideration received	\$ 180,460
Consideration attributable to options (Note 11)	( 9,753 )
Consideration attributable to equity shares	170,707
Book value of the subsidiary's net assets transferred to non-controlling interests based on the relative changes in equity	( 14,072 )
Adjustments to other equity items attributed to the owners of the Company	
– Exchange differences on translation of foreign operations' financial statements	( 3,593 )
Differences in equity transactions	<u>\$ 153,042</u>
 <u>Adjustments to differences in equity transactions</u>	
Capital reserve- Difference between consideration and carrying amount of subsidiaries acquired or disposed	<u>\$ 153,042</u>

### 30. Capital risk management

The Consolidated Company conducts capital management to ensure that it can maximize shareholders' returns by optimizing debt and equity balances, under the premise of going concern.

The capital structure of the Consolidated Company consists of the Consolidated Company's equity (i.e., share capital, capital reserves, retained earnings, and other equity items) and short-term borrowings.

The Consolidated Company is not subject to other external capital requirements.

The management of the Consolidated Company regularly reviews the capital structure and considers the potential costs and risks associated with different capital structures. In general, the Consolidated Company adopts a prudent risk management strategy.

### 31. Financial instruments

#### (1) Fair value information - Financial instruments not measured by fair value

In the opinion of the Consolidated Company's key management, the book values of the Consolidated Company's financial assets and financial liabilities that are not measured at fair value in the consolidated financial statements approximate their fair values.

(2) Fair value information – Financial instruments repeatedly measured at fair value

1. Fair value hierarchy

March 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets measured at fair value through profit and loss</u>				
Fund beneficiary certificates	\$ 931,141	\$ -	\$ -	\$ 931,141
Equity instrument investments	<u>58,704</u>	<u>-</u>	<u>27,288</u>	<u>85,992</u>
	<u>\$ 989,845</u>	<u>\$ -</u>	<u>\$ 27,288</u>	<u>\$ 1,017,133</u>

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets measured at fair value through profit and loss</u>				
Fund beneficiary certificates	\$ 930,536	\$ -	\$ -	\$ 930,536
Equity instrument investments	<u>39,984</u>	<u>-</u>	<u>28,032</u>	<u>68,016</u>
	<u>\$ 970,520</u>	<u>\$ -</u>	<u>\$ 28,032</u>	<u>\$ 998,552</u>

March 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets measured at fair value through profit and loss</u>				
Equity instrument investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,179</u>	<u>\$ 45,179</u>
<u>Financial liabilities measured at fair value through profit and loss</u>				
Options 選擇權	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,753</u>	<u>\$ 9,753</u>

2. Reconciliation of financial instruments measured at Level 3 fair value.

January 1 to March 31, 2021

<u>Financial assets</u>	<u>Measured at fair value through profit and loss</u>
	<u>Equity instruments</u>
Opening balance	\$ 28,032
Recognized in profit and loss	( 744 )
Closing balance	<u>\$ 27,288</u>
Current unrealized losses related to assets held at the end of the period and recognized in profit or loss	<u>\$ 744</u>

January 1 to March 31, 2020

	Measured at fair value through profit or loss
<u>Financial assets</u>	<u>Equity instruments</u>
Opening and closing balance	<u>\$ 45,179</u>
<u>Financial liabilities</u>	<u>D e r i v a t i v e s</u>
Opening balance	\$ -
Current increase	<u>9,753</u>
Closing balance	<u>\$ 9,753</u>

3. Valuation technique and input values of level 3 fair value measurement

<u>Types of financial instruments</u>	<u>Valuation technique and input values</u>
Domestic stocks unlisted or not traded OTC	1. Using the market approach to measure the fair value of the invested company by reference to its recent capital raising activities.
	2. Using the asset-based approach to determine the fair value of the invested company by reference to the its most recent net worth and its observable financial and operating conditions.

(3) Types of financial instruments

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
<u>Financial assets</u>			
Measured at fair value through profit and loss			
Fund beneficiary certificates	\$ 931,141	\$ 930,536	\$ -
Equity instrument investments	85,992	68,016	45,179
Measured at amortized cost (Note 1)	2,350,818	1,920,774	1,763,526
<u>Financial liabilities</u>			
Measured at fair value through profit and loss			
Options	-	-	9,753
Measured at amortized cost (Note 2)	755,130	700,285	869,700

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

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

(4) Objectives and policies of financial risk management

The Consolidated Company's major financial instruments include investments in equity and debt instruments, notes receivable, accounts receivable, other receivables, refundable deposits, borrowings, accounts payable, other payables, lease liabilities and guarantee deposit received. The Consolidated Company's financial management department provides services to each business unit and coordinates the supervision and management of financial risks related to the Consolidated Company's operations. These risks include market risks (which includes exchange rate risk, interest rate risk and other price risks), credit risk and liquidity risk.

1. Market risk

The main financial risks to which the Consolidated Company is exposed as a result of the Consolidated Company's operating activities are the risk of changes in foreign currency exchange rates (see (1) below) and the risk of changes in interest rates (see (2) below) and other price changes (see (3) below).

There is no change in the Consolidated Company's exposure to market risk of relevant financial instruments and the way it manages and measures such exposure.

(1) Exchange rate risk

Several of the Company's subsidiaries engage in foreign currency-denominated sales and import transactions, which expose the Consolidated Company to exchange rate fluctuations.

For the book values of the Consolidated Company's monetary assets and monetary liabilities denominated in non-functional currencies as of the balance sheet date, please refer to Note 35.

Sensitivity analysis

The Consolidated Company is primarily affected by fluctuations in the U.S. dollar exchange rate.

The following table details the Consolidated Company's sensitivity analysis when the exchange rate of the functional currency against the U.S. dollar increases and decreases by 5%. The sensitivity analysis includes only the outstanding foreign currency monetary items and the period-end translation is adjusted by a 5% change in exchange rates. The positive numbers in the following table represent the decrease in net income before tax if the functional currency appreciates against the U.S. dollar by 5%; when the functional currency depreciates against the U.S. dollar by 5%, the effect on net income before tax will be a negative number of the same amount.

	Effects of the US dollars	
	January 1 to March 31, 2021	January 1 to March 31, 2020
Losses(i)	\$ 57,295	\$ 22,006

- (i) They are mainly derived from U.S. dollar-denominated current deposits, notes receivable, accounts receivable, other receivables, bank loans, accounts payable and other payables of the Consolidated Company that were outstanding and not hedged by cash flow at the balance sheet date.
- (2) Interest rate risk

The book values of the Consolidated Company's financial assets exposed to interest rate risk as of the balance sheet date were as follows :

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
With fair value interest rate risk exposure			
– Financial assets	\$ 793,782	\$ 447,603	\$ 432,533
– Financial liabilities	107,239	130,060	217,583
With cash flow interest rate risk exposure			
– Financial assets	553,178	662,848	471,312
– Financial liabilities	-	45,473	47,296

#### Sensitivity analysis

The sensitivity analysis of interest rate risk is based on the interest rate risk exposure of non-derivative instruments on the balance sheet date. Assets and liabilities with floating interest rates are analyzed as if the amounts in assets and liabilities outstanding on the balance sheet date were outstanding during the reporting period. If the interest rate increases by 50 basis points, under the condition that all other variables remain unchanged, the Consolidated Company's net income before tax increased by \$691 thousand and \$530 thousand for the periods from January 1 to March 31, 2021 and 2020, respectively, mainly due to the Consolidated Company's variable interest rate deposits.

- (3) Other price risks

The Consolidated Company's price risks on financial assets measured at fair value through profit or loss for the periods from January 1 to March 31, 2021 and 2020 were mainly attributable to investments in funds beneficiary certificates and equity instruments.

Assuming a 5% increase/decrease in the price of the investment in the funds beneficiary certificates and equity instruments at the end of the reporting period, the Consolidated Company's net income before tax would increase/decrease by \$50,857 thousand and \$2,259 thousand in the periods from January 1 to March 31, 2021 and 2020, respectively.

## 2. Credit risk

Credit risk refers to the risk of financial losses resulting from the counterparty's default on contractual obligations. As of the balance sheet date, the Consolidated Company's maximum exposure to credit risk of financial loss due to non-performance of counterparties' obligations mainly arises from the book values of financial assets recognized in the consolidated balance sheet.

The Consolidated Company's policy is to transact with creditworthy counterparties and obtain adequate guarantees, if necessary, to mitigate the risk of financial losses arising from defaults. The Consolidated Company uses publicly available financial information and records of transactions with each other to rate its major customers. The Consolidated Company continuously monitors credit risk exposures and the credit ratings of counterparties and spreads the total transaction amount among customers with qualified credit ratings.

The Consolidated Company does not have significant credit risk exposure to any single counterparty or any group of counterparties with similar characteristics. In addition, the Consolidated Company continuously evaluates the financial position of its accounts receivable customers, so its credit risk is still limited. At the balance sheet date, the maximum amount of the Consolidated Company's credit risk equals the book values of the financial assets on the accounts.

## 3. Liquidity risk

The Consolidated Company's objective in managing liquidity risk is to ensure that the Consolidated Company has sufficient liquidity to meet its operating requirements for the next 12 months. The Consolidated Company maintains appropriate cash and cash equivalents to meet its contractual obligations, and continues to control changes in cash flows, net cash position and significant capital expenditures to keep track of the use of financial facilities at banks and to ensure compliance with the terms of borrowing contracts.

Bank loans are an important source of liquidity for the Consolidated Company. The Consolidated Company's undrawn facilities are described in (2) Financing facilities below.

### (1) Table of liquidity and interest rate risk

The following table details the analysis of the remaining contractual maturities of the Consolidated Company's non-derivative financial liabilities with contractual repayment periods, which are based on the earliest possible date on which the Consolidated Company could be required to make repayments, and is prepared using the undiscounted cash flows of the financial liabilities, which include cash flows of interest and principal.

### March 31, 2021

	Weighted average effective interest rate (%)	Payable on demand or less than 3 months	3 months to 1 year	1-5 years	More than 5 years
<u>Non-derivative financial liabilities</u>					
Interest-free liabilities	-	\$ 646,196	\$ 99,934	\$ -	\$ -
Lease liability	1.82	12,403	28,737	69,055	-
		<u>\$ 658,599</u>	<u>\$ 128,671</u>	<u>\$ 69,055</u>	<u>\$ -</u>

### December 31, 2020

	Weighted average effective interest rate (%)	Payable on demand or less than 3 months	3 months to 1 year	1-5 years	More than 5 years
<u>Non-derivative financial liabilities</u>					
Interest-free liabilities	-	\$ 403,395	\$ 166,277	\$ -	\$ -
Fixed interest rate instruments	0.72	85,237	-	-	-
Lease liability	2.09	5,089	16,262	25,765	-
Floating interest rate instruments	2.21	-	45,691	-	-
		<u>\$ 493,721</u>	<u>\$ 228,230</u>	<u>\$ 25,765</u>	<u>\$ -</u>

### March 31, 2020

	Weighted average effective interest rate (%)	Payable on demand or less than 3 months	3 months to 1 year	1-5 years	More than 5 years
<u>Non-derivative financial liabilities</u>					
Interest-free liabilities	-	\$ 455,558	\$ 2,132	\$ -	\$ -
Fixed interest rate instruments	1.16	200,472	-	-	-
Lease liability	2.24	2,640	9,253	7,117	-
Floating interest rate instruments	2.214	261	47,964	-	-
		<u>\$ 658,931</u>	<u>\$ 59,349</u>	<u>\$ 7,117</u>	<u>\$ -</u>

## (2) Financing facility

	March 31, 2021	December 31, 2020	March 31, 2020
Bank loan facility			
— Drawdown amount	\$ -	\$ 130,613	\$ 247,296
— Undrawn amount	800,000	714,860	310,000
	<u>\$ 800,000</u>	<u>\$ 845,473</u>	<u>\$ 557,296</u>

The Consolidated Company's working capital and financing facilities are sufficient to meet its operating requirements, and therefore there is no liquidity risk due to the inability to raise funds to meet contractual obligations.

## (5) Offsetting financial assets and financial liabilities

The derivative financial assets and derivative financial liabilities arising from the disposal of the Consolidated Company's equity interest in ZENTEL Japan meet the offsetting criteria and are therefore presented in the balance sheet as net derivative financial liabilities after offsetting the total derivative financial assets and the derivative financial liabilities.

The following table presents quantitative information related to the financial assets and financial liabilities subject to offsetting, executable master netting arrangements or similar agreements as described above :

March 31, 2020

<u>Financial assets</u>	<u>Recognized total financial liabilities</u>	<u>Recognized total financial assets offset in the Balance Sheet</u>	<u>Net financial liabilities on the balance sheet</u>
Derivative financial instruments	\$ <u>12,199</u>	\$ <u>2,446</u>	\$ <u>9,753</u>

32. Transactions with related party

All transactions, account balances, revenues and expenses between the Company and subsidiaries (the Company's related parties) are eliminated upon consolidation and are therefore not disclosed in this note. In addition to those disclosed in other notes, transactions between the Consolidated Company and other related parties were as follows:

(1) Names of the related parties and the relationship

<u>Related party</u>	<u>Relationship with the Company</u>
Lyontek Inc.	An affiliate

(2) Payables to related parties ( March 31, 2021 : None )

<u>Account in the books</u>	<u>Type of the related party</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Other payables	An affiliate	\$ <u>398</u>	\$ <u>5,387</u>

(3) Key management personnel's remuneration

	<u>January 1 to March 31, 2021</u>	<u>January 1 to March 31, 2020</u>
Short-term employee benefits	\$ 19,771	\$ 11,227
Post-employment benefits	388	284
Share-based payment	<u>980</u>	<u>529</u>
	<u>\$ 21,139</u>	<u>\$ 12,040</u>

The remuneration of Directors and other key management personnel is determined by the Remuneration Committee based on individual performance and market trends.

### 33. Pledged assets

The following assets have been provided as guarantees to secure customs duties and bank loans for imported raw materials :

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Pledged certificates of deposit (financial assets measured at amortized cost on the accounts)	<u>\$ 2,744</u>	<u>\$ 60,215</u>	<u>\$ 63,680</u>

### 34. Material contingent liabilities and unrecognized contractual commitments

Toshiba Memory Corporation, renamed to Kioxia Corporation (hereinafter referred to as Kioxia) in October 2019, is the owner of Patent Nos. 154717 and I238412 in Taiwan, and has filed a lawsuit against four companies, including Zentel, of the design, manufacturing, and sale of the aforementioned products and some of the responsible persons, for infringement of the aforementioned patents by certain flash memory products sold by Zentel.

The first instance trial ruled that Zentel, together with the other defendants, should pay the plaintiff 99,822 thousand, plus interest accrued at 5% per annum from June 4, 2014 to the settlement date, and bear one-half of the plaintiff's litigation costs.

On July 27, 2017, Zentel obtained a letter of undertaking from the product's manufacturer, which assures to bear the above compensation expense and the related statutory default interest, totaling \$115,185 thousand, and waives its right to claim against Zentel. In addition, the said manufacturer provided a negotiable certificate of deposit in the same amount as the judgment to the court as a guarantee to prevent the plaintiff from filing a provisional execution before the judgment is finalized.

Zentel and the other defendants filed an appeal against the above judgment on July 31, 2017. On October 16, 2019, the Intellectual Property Court handed down its second instance judgment, dismissing all of Kioxia's claims against Zentel and the other defendants. Kioxia Corporation filed an appeal against the second instance verdict on November 11, 2019, and the case has not yet been heard in court. The Consolidated Company believes that the possible outcome of the litigation cannot be estimated yet.

35. Information on financial assets and liabilities denominated in foreign currencies with significant impacts

The following information is presented in the aggregate in foreign currencies other than the functional currency of each entity of the Consolidated Company, and the exchange rates disclosed represent the exchange rates at which those currencies were translated into the functional currency. Assets and liabilities denominated in foreign currencies that have significant impacts are as follows :

Unit: Except for the exchange rate in dollars, each foreign currency / book value is expressed in thousands of dollars

March 31, 2021

	Foreign currency	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary item</u>			
USD	\$ 55,576	28.535 (USD : NTD)	\$ 1,585,862
USD	1,113	6.5713 (USD : CNY)	<u>31,747</u>
			<u>\$ 1,617,609</u>
<u>Non-monetary item</u>			
Investments in equity instruments measured at fair value through profit or loss			
CNY	6,108	4.344 (CNY : NTD)	<u>\$ 26,596</u>
<u>Financial liabilities</u>			
<u>Monetary item</u>			
USD	14,805	28.535 (USD : NTD)	\$ 422,459
USD	1,726	6.5713 (USD : CNY)	<u>49,247</u>
			<u>\$ 471,706</u>

December 31, 2020

	Foreign currency	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary item</u>			
USD	\$ 45,875	28.48 (USD : NTD)	\$ 1,306,529
USD	57	6.5249 (USD : CNY)	<u>1,609</u>
			<u>\$ 1,308,138</u>

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	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Book value</u>
<u>Non-monetary item</u>			
Investments in equity instruments measured at fair value through profit or loss			
CNY	\$ 6,262	4.377 (CNY : NTD)	<u>\$ 27,243</u>
<u>Financial liabilities</u>			
<u>Monetary item</u>			
USD	8,002	28.48 (USD : NTD)	\$ 227,883
USD	1,592	6.5249 (USD : CNY)	<u>45,473</u>
			<u>\$ 273,356</u>

March 31, 2020

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Book value</u>
<u>Financial assets</u>			
<u>Monetary item</u>			
USD	\$ 26,695	30.225 (USD : NTD)	\$ 806,854
USD	1,296	108.411 (USD : JPY)	<u>39,169</u>
Investments in equity instruments measured at fair value through profit or loss			<u>\$ 846,023</u>
CNY	6,899	4.255 (CNY : NTD)	<u>\$ 30,029</u>
<u>Financial liabilities</u>			
<u>Monetary item</u>			
USD	9,172	30.225 (USD : NTD)	\$ 277,247
USD	2,664	108.411 (USD : JPY)	80,533
USD	1,592	7.085 (USD : CNY)	<u>48,125</u>
			<u>\$ 405,905</u>

Foreign currency exchange gains and losses (both realized and unrealized) with significant effect were as follows :

Foreign currency	January 1 to March 31, 2021		January 1 to March 31, 2020	
	Exchange rate	Net exchange (loss) gain	Exchange rate	Net exchange (loss) gain
USD	28.366 (USD : NTD)	\$ 872	30.106 (USD : NTD)	\$ 12,819
USD	6.4813 (USD : CNY)	( 294 )	-	-
JPY	0.2678 (JPY : NTD)	1,004	0.2764 (JPY : NTD)	104
CNY	-	-	6.9728 (USD : CNY)	( 844 )
EUR	34.200 (EUR : NTD)	<u>6</u>	33.200 (EUR : NTD)	<u>( 3 )</u>
		<u>\$ 1,588</u>		<u>\$ 12,076</u>

### 36. Note disclosures

#### (1) Information on Major Transaction 6 and (2) Information on invested Business :

1. Loaning Funds to Others : Please refer to Table 1 for details.
2. Endorsement for Others: Please refer to Table 2 for details.
3. Securities held (excluding investments in subsidiaries) at the end of the period: Please refer to Table 3 for details.
4. Accumulated purchases or sales of the same securities amounting to at least NT\$300 million or 20% of the paid-in capital: None.
5. Acquisition of real property at costs of at least NT \$300 million or 20% of the paid-in capital: None.
6. Disposal of real property at prices of at least NT\$300 million or 20% of the paid-in capital: None.
7. Purchases or sales with related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to Table 4 for details.
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to Table 5 for details.
9. Engaged in derivatives trading: None
10. Other: Business relationships, significant transaction circumstances, and dollar amount between the parent and subsidiaries and between subsidiaries: Please refer to Table 6 for details.
11. Information on invested companies: Please refer to Table 7 for details.

#### (3) Information on investments in the Mainland China area :

1. Information for any invested company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, book value of the investment at the end of the period, repatriations of investment income, and limit on the investment in the mainland China: Please refer to Table 8 for details.
2. Any of the following significant transactions with invested companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:
  - (1) The dollar amount and percentage of purchases and the closing balance and percentage of the related Payables: None.
  - (2) The dollar amount and percentage of sales and the closing balance and percentage of the related receivables: Please refer to Table 6 for details.
  - (3) The dollar amount of property transactions and the resulting gains and losses: None

- (4) The closing balance of negotiable instrument endorsements or guarantees or pledges of collateral and the purposes: Please refer to Table 2 for details.
- (5) The highest balance, the closing balance, the interest rate range, and the total of current interest with respect to financing of funds : None. 無。
- (6) 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 Table 6 for details.
- (4) Information on major shareholders : Names of shareholders holding at least 5% of shares, numbers of shares held and shareholding ratios: Please refer to Table 9 for details.

37. Segment information

The information provided to the chief operating decision maker for allocating resources and measuring segmental performance focuses on the type of product or service delivered or provided. The reportable segments of the Consolidated Company are as follows :

IoT Division — It is mainly sales of integrated circuits.

AI Division — It is mainly the authorization of silicon intellectual property.

- (1) Segment revenue and operating results ( January 1 to March 31, 2020 : None )

The revenue and operating results of the Consolidated Company's continuing operations by reportable segments are analyzed as follows :

January 1 to March 31, 2021

	<u>IoT Division</u>	<u>AI Division</u>	<u>Total</u>
Segment revenue	\$ 1,141,761	\$ 85,444	\$ 1,227,205
Operating costs	( 685,896 )	( 51 )	( 685,947 )
Segment net income	<u>\$ 455,865</u>	<u>\$ 85,393</u>	541,258
Operating expenses			( 147,784 )
Operating net income			<u>393,474</u>
Share of profit of associates and joint ventures accounted for using equity method			3,093
Interest revenue			946
Other revenue			3,391
Other gains and losses			20,169
Interest expense			( 629 )
Net income before tax from continuing operations			<u>\$ 420,444</u>

- (2) Revenue from major products and services

Please refer to Note 23 for more information.

AP Memory Technology Corporation and subsidiaries  
Loaning Funds to Others  
January 1 to March 31, 2021

Table 1

Units: In thousands of New Taiwan dollars, unless otherwise specified

No.	Lending company	Loan recipients	Account	Is a related party	Highest balance for the period	Closing balance	Actual drawdown amount	Interest rate range	Nature of lending	Dollar amount of business transactions	Having reasons where short-term financing is needed	Provision of allowance for doubtful accounts	Collateral		Limit on lending to a single entity (Note 1)	Total lending limit (Note 1)	Remarks
													Name	Value			
0	AP Memory Technology Corporation	ZENTEL JAPAN CORP.	Other receivables	No (Note 2)	\$ 428,025	\$ 428,025	\$ 365,139	0.37%	Business relation (Note 2)	\$ 426,608	-	\$ -	-	\$ -	\$ 692,830	\$ 1,385,660	

Note 1 : In accordance with the Operational Procedures for Loaning Funds to Others, the total amount of loaning funds to the entity, with which the Company has a business relation, shall not exceed 40% of the Company's net worth and the amount of individual loaning funds shall not exceed 20% of the Company's net worth, and this limit is calculated based on the Company's net worth as of March 31, 2021.

Note 2 : On September 26, 2020, the Company's Board of Directors approved the loan of funds to ZENTEL JAPAN CORP. and the transfer of accounts receivable beyond the normal credit period to other receivables. The Company expects to recover the entire amount in installments by December 31, 2021.

AP Memory Technology Corporation and subsidiaries  
Endorsement for Others  
January 1 to March 31, 2021

Table 2

Units: In thousands of New Taiwan dollars

No. (Note 1)	Endorser	Endorsee		Limit of endorsement/guarantee provided to a single enterprise (Note 3)	Maximum endorsement/guarantee balance for the period	Endorsement guarantee balance at the end of the period	Actual drawdown amount	Dollar amount of endorsement guaranteed by property	Ratio of accumulated endorsement guarantee to net worth of the most recent financial statements (%)	Endorsement guarantee limit (Note 3)	Endorsements guaranteed by parent company to subsidiary	Endorsements guaranteed by subsidiary to parent company	Endorsement guarantee provided to the mainland China area	Remarks
		Company	Relationship (Note 2)											
0	AP Memory Technology Corporation	Zentel Electronics Corporation	(2)	\$ 1,039,245	\$ 100,000	\$ -	\$ -	\$ -	-	\$ 1,732,075	Y	N	N	
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(2)	1,039,245	28,535	28,535	-	-	0.82	1,732,075	Y	N	N	
1	Zentel Electronics Corporation	AP Memory Technology (Hangzhou) Co., Ltd.	(4)	286,997	57,070	-	-	-	-	478,328	N	N	Y	

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

- (1) 0 is for the issuer
- (2) The invested companies are numbered sequentially from 1.

Note 2 : There are the following seven types of relationships between the endorser and the endorsee, and it is sufficient to just indicate the type:

- (1) Companies with which the company has a business relationship
- (2) Companies in which the company directly and indirectly holds more than 50% of the voting shares
- (3) Companies that directly and indirectly hold more than 50% of the voting shares of the company
- (4) Companies in which the company directly and indirectly holds more than 90% of the voting shares
- (5) Companies that are mutually insured in accordance with the contract between industry peers or promoters based on the needs of the contracted work
- (6) Companies are guaranteed and endorsed by all shareholders pro rata to their shareholding ratios due to joint investment.
- (7) Companies engage in the provision of performance guarantee for pre-sale housing purchase agreement in accordance with the Consumer Protection Act.

Note 3 : The Company's and the subsidiary Zentel Electronics Corporation's total amount of external endorsement guarantee and the amount of endorsement guarantee to a single enterprise are limited to 50% and 30% of the respective net worth.

AP Memory Technology Corporation and subsidiaries  
 Securities Held (Excluding Investments in Subsidiaries) at the End of the Period  
 March 31, 2021

Table 3

Units: In thousands of New Taiwan dollars, unless otherwise specified

Holding company	Type and name of securities	Relationship with the issuer of securities	Account in the books	At the end of the period				Remarks
				Number of shares/ units	Book value	Shareholding ratio (%)	Fair value	
AP Memory Technology Corporation	Fund beneficiary certificates							
	CTBC Hua Win Money Market Fund	—	Financial assets measured at fair value through profit or loss - Current	\$ 9,011,535	\$ 100,143	-	\$ 100,143	
	Mega Diamond Money Market Fund	—	Financial assets measured at fair value through profit or loss - Current	6,332,158	80,159	-	80,159	
	Investment in stocks unlisted or not traded via OTC							
	Powerchip Semiconductor Manufacturing Corporation	—	Financial assets measured at fair value through profit or loss - Non-current	800,000	58,704	0.026%	58,704	
Haining Changmeng Technology Partnership (Limited Partnership)	—	Financial assets measured at fair value through profit or loss - Non-current	-	26,596	24.64%	26,596		
GeneASIC Technologies Corporation		Financial assets measured at fair value through profit or loss - Non-current	500,000	692	19.05%	692		
Zentel Electronics Corporation	Fund beneficiary certificates							
	CTBC Hua Win Money Market Fund	—	Financial assets measured at fair value through profit or loss - Current	21,631,805	240,391	-	240,391	
	Mega Diamond Money Market Fund	—	Financial assets measured at fair value through profit or loss - Current	20,556,973	260,231	-	260,231	
Jih Sun Money Market Fund	—	Financial assets measured at fair value through profit or loss - Current	16,723,750	250,217	-	250,217		

Note 1 : For information on investment in subsidiaries and affiliates, please refer to Tables 7 and 8.

AP Memory Technology Corporation and subsidiaries  
Purchases or Sales with Related Parties Amounting to At Least NT\$100 Million or 20% of the Paid-in Capital  
January 1 to March 31, 2021

Table 4

Units: In thousands of New Taiwan dollars, unless otherwise specified

Purchasing or selling company	Counterparty	Relationship	Transaction situation				Circumstances and reasons why transaction conditions are different from ordinary transactions (Note 1)		Notes and accounts receivable (payable)		Remarks
			Purchases (sales)	Amount	As of the ratio of total purchases (sales)	Credit period	Unit price	Credit period	Balance	As of the ratio of total notes and accounts receivable (payable)	
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	Sub-subsidiary	Sales of goods	(\$ 239,969)	(19.55%)	75 days AMS	\$ -	—	\$ 241,992	25.02%	Note 2

Note 1 : The transaction between the Company and AP Memory Technology (Hong Kong) Co., Ltd. is based on the price and terms agreed by both parties.

Note 2 : It has been fully written off when preparing the consolidated financial statements.

AP Memory Technology Corporation and subsidiaries  
 Receivables from Related Parties Amounting to at least NT\$100 Million or 20% of the Paid-in Capital  
 March 31, 2021

Table 5

Units: In thousands of New Taiwan dollars, unless otherwise specified

Company with accounts receivable in the books	Counterparty	Relationship	Balance of accounts receivable from related parties (Note 1)	Turnover rate	Overdue receivables related parties		Receivables from related parties recovered post-period end	Provision of allowance for loss
					Dollar amount	Treatment method		
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	Sub-subsidiary	\$ 241,992	4.87	\$ -	-	\$ 78,457	\$ -

Note 1 : It has been fully written off when preparing the consolidated financial statements.

AP Memory Technology Corporation and subsidiaries  
Business Relationships, Significant Transaction Circumstances, and Dollar Amount between the Parent and Subsidiaries and between Subsidiaries  
January 1 to March 31, 2021

Table 6

Units: In thousands of New Taiwan dollars

No. (Note 1)	Trading entity	Counterparty	Relationship with the trading entity (Note 2)	Transaction situation			
				Account	Amount (Note 4)	Terms of transaction	As a percentage of consolidated total revenue or total assets (Note 3)
0	AP Memory Technology Corporation	AP Memory Corp, USA	(1)	Contracted research expenses	\$ 16,760	Note 5	1.37%
0	AP Memory Technology Corporation	AP Memory Corp, USA	(1)	Other accrued expenses payable	16,971	Note 5	0.37%
0	AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Co., Ltd.	(1)	Operating revenue	69,942	Note 5	5.70%
0	AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Co., Ltd.	(1)	Accounts payable	49,247	Note 5	1.06%
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(1)	Sales revenue	239,969	Note 5	19.55%
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(1)	Accounts receivable	241,992	Note 5	5.23%
1	AP Memory Technology (Hangzhou) Co., Ltd.	AP Memory Technology (Hong Kong) Co. Limited	(3)	Service revenue	26,680	Note 5	2.17%
1	AP Memory Technology (Hangzhou) Co., Ltd.	AP Memory Technology (Hong Kong) Co. Limited	(3)	Accounts receivable	26,843	Note 5	0.58%

Note 1 : Information on business transactions between the Parent company and the subsidiary should be indicated in the numbering column as follows :

- (1) 0 is for the Parent company
- (2) Subsidiaries are numbered sequentially from 1.

Note 2 : There are the following three types of relationship with the trading entity, and it is sufficient to just indicate the type of relationship :

- (1) Parent to subsidiary
- (2) Subsidiary to Parent
- (3) Subsidiary to subsidiary

Note 3 : The ratio of transaction amount to consolidated total revenue or total assets is calculated as the closing balance to consolidated total assets for accounts of asset and liability, and as the cumulative amount to consolidated total revenue for accounts of profit and loss.

Note 4 : The related transactions have been written off in the consolidated financial statements.

Note 5 : The terms of the transaction are subject to the agreement of both parties.

AP Memory Technology Corporation and subsidiaries  
Information on Invested Companies  
January 1 to March 31, 2021

Table 7

Units: In thousands of New Taiwan dollars, unless otherwise specified

Investing company	Invested company	Location	Main business items	Original investment amount		Held at the end of the period			Profit (loss) of the invested company for the current period (Note 2)	Investment gain (loss) recognized in the current period (Notes 2 and 3)	Remarks
				At the end of the current period	At the end of last year	Number of shares	Ratio	Book value (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	R&D services of ICs	\$ 60,521 (USD 2,000,000)	\$ 60,521 (USD 2,000,000)	2,000,000	100%	\$ 40,007	(\$ 4,023) (USD 142)	(\$ 4,023)	Subsidiary
	Zentel Electronics Corporation	10F.-1, No. 1, Taiyuan 1st St., Zhubei City, Hsinchu County, Taiwan	Development, research and sales of ICs	705,798	705,798	40,000,000	100%	956,657	863	863	Subsidiary
	Lyontek Inc.	No. 17, Gongye E. 2nd Rd., East Dist., Hsinchu City, Taiwan	Design and production of ICs	75,060	75,060	3,600,000	30%	82,998	10,310	3,093	Affiliate
AP Memory Technology (Hangzhou) Co., Ltd.	AP Memory Technology (Hong Kong) Co. Limited	Rm.19C, Lockhart Ctr.,301-307 Lockhart Rd.,Wan Chai, Hong Kong.	Sales of ICs	-	-	-	100%	( 36)	( 44)	( 44)	Subsidiary (Note 5)

Note 1 : It is translated based on the exchange rate as of March 31, 2021.

Note 2 : It is translated based on the average exchange rate from January 1, 2021 to March 31, 2021.

Note 3 : Except for Lyontek Inc., the calculation is based on the invested company's financial statements reviewed by CPAs during the same period.

Note 4 : The transactions between the Parent and subsidiaries have been written off in the consolidated financial statements.

Note 5 : In order to meet the future operation development plan, AP Memory Technology (Hangzhou) Co., Ltd. established a subsidiary AP S Memory Technology (Hong Kong) Co., Ltd., but no capital has been injected to date.

AP Memory Technology Corporation and subsidiaries  
Information on Investments in the Mainland China Area  
January 1 to March 31, 2021

Table 8

Units: In thousands of New Taiwan dollars, unless otherwise specified

Invested company in the mainland China	Main business items	Paid-in capital (Note 1)	Investment method	Cumulative investment amount remitted from Taiwan at the beginning of the period	Amount of investment remitted or recovered in current period		Cumulative investment amount remitted from Taiwan at the end of the period (Note 1)	Profit (loss) of the invested company for the current period (Note 3)	The Company's shareholding ratio of direct or indirect investment	Investment gain (loss) recognized in the current period (Notes 3 and 5)	Book value of investment at the end of the period (Notes 4 and 5)	Investment income has been repatriated as of the current period
					Remitted	Recovered						
AP Memory Technology (Hangzhou) Co., Ltd.	Design, development and sales of ICs	\$ 30,344 (USD 1,000,000)	Note 2	\$ 30,344 (USD 1,000,000)	\$ -	\$ -	\$ 30,344 (USD 1,000,000)	\$ 51,676	100%	\$ 51,676	\$ 76,368	\$ -

Cumulative outward remittance of investment from Taiwan to Mainland China at the end of the period	Investment amount approved by the Investment Board of the Ministry of Economic Affairs	Investment limit in Mainland China according to the Investment Board of the Ministry of Economic Affairs
\$ 30,344 (USD 1,000,000)	\$ 30,344 (USD 1,000,000)	\$ 2,078,490 (Note 6)

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

Note 2 : It is AP Memory Technology's direct investment in AP Memory Technology (Hangzhou) Co., Ltd.

Note 3 : It is translated based on the average exchange rate from January 1 to March 31, 2021.

Note 4 : It is translated based on the exchange rate as of March 31, 2021.

Note 5 : The calculation is based on the financial statements reviewed by the attest CPAs of the Parent company in Taiwan during the same period.

Note 6 : In accordance with the Ministry of Economic Affairs' letter Jing-Shen-Zi No. 09704604680, the calculation is based on 60% of the Company's net worth as of March 31, 2021.

Note 7 : The related transactions have been written off in the consolidated financial statements.

AP Memory Technology Corporation  
Information on Major Shareholders  
March 31, 2021

Table 9

Major shareholder	Shares	
	Number of shares held	Shareholding ratio
Shanyi Investment Co., Ltd.	13,228,334	17.79

Note 1 : The information on major shareholders in this table is based on the information of the shareholders holding 5% or more of the Company's common shares and preferred shares that had been delivered without physical registration (including treasury shares) on the last business day of the current quarter. The share capital recorded in the Company's consolidated financial statements and the actual number of shares delivered without physical registration may differ due to differences in the basis of preparation for the calculation.

Note 2 : The above information is disclosed by the trustor's separate sub-account of the trust account opened by the trustee, if the shareholder has delivered the shares to the trust. As for the equity share registration of insiders with shareholding of more than 10% conducted in accordance with the Securities and Exchange Act, with the shareholding including the shareholder's own shares plus shares delivered to the trust and that the shareholder has the right to decide the use of the trust property, etc. please refer to the Market Observation Post System for information on insider shareholding registration.