

# AP Memory Technology Corporation

## 2023 Annual General Shareholders Meeting Minutes

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

Time: 9:00 AM (Monday), May 29<sup>th</sup>, 2023

Place: 2F, No. 3, Taiyuan 1st Street, Zhubei City, Hsinchu County, Taiwan

Total outstanding shares: 161,853,246 shares

Total shares represented by shareholders present in person or by proxy: 110,321,431 shares.

Percentage of shares held by shareholders present in person or by proxy: 68.16%.

Directors present: Chen, Wen-Liang ; Hung, Chih-Hsun ; Hsieh, Ming-Lin ; Yeh, Jui-Pin ;  
Wang, Hsuan ; Liu, Frank

Chairman: Chen, Wen-Liang, the Chairman of the Board of Directors

Recorder: Hong, Shu-Ling

1. Commencement of the Meeting: The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum. The Chairman called the meeting to order.
2. Chairman's Address: (Omitted)
3. Report Items
  - Item 1: To report the business of 2022 (Attachment 1)
  - Item 2: The 2022 Audit Committee's Review Report (Attachment 3)
  - Item 3: To Report 2022 employees' profit sharing bonus and directors' compensation
    - A. The Board of Directors approved 2022 employees' profit sharing bonus and directors' compensation on February 24, 2023. The employees' profit sharing bonus and directors' compensation are to be distributed in cash.
    - B. 2022 employees' total profit sharing bonus is NT\$35,190,844, and directors' compensation is NT\$5,000,000.

Item 4: To report 2022 earnings distribution

2022 earnings distribution adopted at the meeting of the Board of Directors is as follows:

- A. Earnings Available for Distribution as of December 31, 2022: NT\$3,207,780,876.
- B. Cash dividends to common shareholders: totaling NT\$ 1,132,458,222. Each common shareholder will be entitled to receive a cash dividend of NT\$7.0 per share.
- C. The Board Chairman is delegated to decide any matters in terms of the change of record date and payout ratio.

4. Proposed Resolutions

Item 1: To accept the 2022 Business Report and Financial Statements

(Proposed by the Board of Directors)

Explanatory Notes:

- A. 2022 Financial Statements, including Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity, and Statements of Cash Flows, were audited by independent auditors, Mr. Chien, Ming-Yen and Mr. Chiu, Cheng-Chun of Deloitte & Touche.
- B. 2022 Business Report, the aforementioned Financial Statements and Audit Committee's Review Report hereto as Attachments 1, 2, and 3.

Resolution: RESOLVED, that the above proposal be and hereby was acknowledged as proposed. Shares represented at the time of voting: 110,321,433.

	Result	%
Votes in favor:	108,664,085 (with electronic votes: 28,500,216)	98.49%
Votes against:	32,711 (with electronic votes: 32,711)	0.03%
Invalid Votes:	1,624,637 (with electronic votes: 1,432,667)	1.48%

Item 2: To accept the proposal for distribution of 2022 earnings.

(Proposed by the Board of Directors)

Explanatory Notes:

Description	Amount(NTD)	Remarks
Unappropriated retained earnings of previous years	1,460,703,966	
Add: Net Income of 2022	1,941,696,320	
Less: Special reserve	( 449,778 )	
Legal reserve	( <u>194,169,632</u> )	
Earnings available for distribution	3,207,780,876	
Distribution items:		
Cash Dividend to common shareholders	( <u>1,132,458,222</u> )	NT\$7.0 / per share
Unappropriated retained earnings	<u><u>2,075,322,654</u></u>	

Resolution: RESOLVED, that the above proposal be and hereby was acknowledged as proposed. Shares represented at the time of voting: 110,321,433.

Result		%
Votes in favor:	108,666,073 (with electronic votes: 28,502,204)	98.49%
Votes against:	37,646 (with electronic votes: 37,646)	0.03%
Invalid Votes:	1,617,714 (with electronic votes: 1,425,744)	1.48%

#### 5. Director Election

To elect eight Directors (including four Independent Directors)

(Proposed by the Board of Directors)

Explanatory Notes:

- A. Upon the expiration of the Directors' terms of office, the successor Directors will be elected at this Annual General Shareholders Meeting.
- B. Directors shall be elected by adopting a candidate nomination system as specified in Articles 14 of Incorporation. The Board of Directors resolved that eight Directors (including four Independent Directors) Shareholders shall elect, the List of Director (including Independent Director) Candidates, whose education, experience and relevant information attached hereto as Attachment 4.
- C. The terms of office of the Directors to be elected shall be three years, commencing on May 29<sup>th</sup>, 2023 and expiring on May 28<sup>th</sup>, 2026.

Voting Result :

Title	Shareholder account number or ID number	Name	Elected Votes
Director	4647	Chen, Wen-Liang	165,097,992
Director	14	Liu, Chin-Hung (Representative of Shanyi Investment Co., Ltd)	122,876,525
Independent Director	A2031xxxxx	Sun, Elizabeth	103,754,999
Director	20	Hsieh, Ming-Lin (Representative of Li Shun Investment Co.)	97,925,132
Director	13000	Hung, Chih-Hsun	94,806,569
Independent Director	N1200xxxxx	Yeh, Jui-Pin	90,818,614
Independent Director	S2223xxxxx	Wang, Hsuan	89,949,456
Independent Director	A1100xxxxx	Liu, Frank	88,189,547

6. Other Proposal

Lifting the prohibition on the newly elected Directors and their representatives from participating in the competitive business.

(Proposed by the Board of Directors)

Explanatory Notes: Directors who participate in the operations of another company that engages in the same or similar business scope as the Company hereby request the shareholders' approval to lift these Directors and their proxies from the non-competition restrictions in accordance with Article 209 of the Company Act. Please refer to Attachment 5 for the status of the competition of the newly elected Directors.

Resolution: RESOLVED, that the above proposal be and hereby was approved as proposed.

Shares represented at the time of voting: 110,321,433.

	Result	%
Votes in favor:	107,345,107 (with electronic votes: 27,181,238)	97.30%
Votes against:	77,298 (with electronic votes: 77,298)	0.07%
Invalid Votes:	2,899,028 (with electronic votes: 2,707,058)	2.63%

7. Extemporary Motions: None

8. Adjournment

# Attachment

## Attachment 1. Business Report

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

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

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

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

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

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

## ■ Macro Environment Challenges

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

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

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

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

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

## ■ Pause in IoT BU Revenue Growth

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

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

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

## ■ Promising Opportunities in AI Business Unit

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

While the majority of our 2022 revenue was derived from cryptocurrency market, which is experiencing some challenges, our VHM™ technology is gaining interest from some of the most important industry players. We started proof-of-concept (POC) projects with multiple partners for non-cryptocurrency applications. While these POC projects are still far away from volume production, we believe they represent promising opportunities for our VHM™ technology. Particularly interesting is the emergence of very large model AI algorithms such as GPT-3 which has gathered some media attention lately. Such algorithms rely on hardware designs that require ever-growing bandwidth, capacity, and energy efficiency. The growth trajectory of such requirements will undoubtedly lead to mainstream adoption of 3D technology. We are well positioned to be a key participant in this technology revolution.

## ■ Stronger Organization for the Future

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

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

## ■ GDR Fundraising and Share Dilution

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

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



## ■ Cautious Outlook for 2023 and Long-term Optimism

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

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

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

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

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

Chairman: Chen, Wen-Liang

President: Hung, Chih-Hsun

Senior Vice President: Liu, Chin-Hung

Chief Financial Officer: Lin, Yu-Hsin

Accounting Senior Manager: Hung, Mao-Chuan

## Attachment 2. Independent Auditors' Report and the Financial Statements

### INDEPENDENT AUDITORS'S REPORT

The Board of Directors and Stockholders  
AP Memory Technology Corporation

#### Opinion

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

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2022 and 2021, and its individual financial performance and its individual cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### Basis for Opinion

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

#### Key Audit Matters

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

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

##### Sales Revenue from Specific Customers

The sales revenue of AP Memory Technology Corporation was \$4,971,181 thousand in 2022. The revenue from sales to some customers, which increased significantly comparing with the previous year, counts for a large portion of the total sales revenue and is therefore determined as one of the key audit matters.

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

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

#### **Responsibilities of Management and Those Charged with Governance for the Individual Financial Statements**

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of individual financial statements that are free from material misstatement, whether due to fraud or error.

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

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

#### **Auditors' Responsibilities for the Audit of the Individual Financial Statements**

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

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

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

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

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

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
Date: February 24, 2023

Notice to Readers

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

## AP Memory Technology Corporation

## Individual Balance Sheet

As of December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

Assets	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
<b>Current assets</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 8,003,529	69	\$ 2,303,832	37
Financial assets at amortized cost - Current (Notes 4, 8 and 27)	2,782	-	2,763	-
Accounts receivable (Notes 4, 9 and 19)	500,338	4	740,801	12
Accounts receivable from related parties (Notes 4, 9, 19 and 26)	120,782	1	110,246	2
Current tax assets	80	-	-	-
Other receivables (Notes 4 and 9)	31,879	-	38,095	-
Inventories (Notes 4 and 10)	1,528,127	13	1,696,402	27
Other current assets (Note 15)	47,832	1	7,015	-
Total current assets	<u>10,235,349</u>	<u>88</u>	<u>4,899,154</u>	<u>78</u>
<b>Non-current assets</b>				
Valuation gain on financial assets at fair value through profit or loss- Non-current (Notes 4, 5, 7 and 25)	256,007	2	141,989	2
Investments accounted for using equity method (Notes 4 and 11)	340,929	3	329,481	5
Property, plant and equipment (Notes 4 and 12)	79,251	1	80,347	1
Right-of-use assets (Notes 4 and 13)	71,799	1	97,499	2
Other intangible assets (Notes 4 and 14)	4,106	-	6,098	-
Deferred income tax assets (Notes 4 and 21)	31,163	-	25,486	1
Refundable deposits (Notes 28)	464,027	4	464,609	8
Other non-current assets (Note 15)	173,802	1	205,876	3
Total non-current assets	<u>1,421,084</u>	<u>12</u>	<u>1,351,385</u>	<u>22</u>
<b>Total assets</b>	<u>\$ 11,656,433</u>	<u>100</u>	<u>\$ 6,250,539</u>	<u>100</u>
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Contract liabilities (Notes 4 and 19)	\$ 22,981	-	\$ 172,570	3
Accounts payable	149,961	1	600,046	10
Other payables (Note 16)	104,047	1	153,178	2
Other payables from related parties (Note 26)	15,830	-	14,532	-
Current tax liabilities	295,101	3	387,146	6
Lease liabilities— Current (Notes 4 and 13)	50,771	-	40,872	1
Other current liabilities (Note 16)	2,389	-	3,392	-
Total current liabilities	<u>641,080</u>	<u>5</u>	<u>1,371,736</u>	<u>22</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities(Notes 4 and 21)	45,132	1	19,278	-
Lease liabilities - Non-current (Notes 4 and 13)	5,654	-	50,570	1
Guarantee deposits received	14,000	-	14,000	-
Total non-current liabilities	<u>64,786</u>	<u>1</u>	<u>83,848</u>	<u>1</u>
<b>Total liabilities</b>	<u>705,866</u>	<u>6</u>	<u>1,455,584</u>	<u>23</u>
<b>Equity (Notes 4, 18 and 23)</b>				
<b>Share capital</b>				
Ordinary share	807,786	7	744,136	12
Advance receipts for ordinary share	848	-	2,861	-
Total shares	<u>808,634</u>	<u>7</u>	<u>746,997</u>	<u>12</u>
Capital surplus	6,178,947	53	1,054,788	17
<b>Retained earnings</b>				
Legal reserve	566,709	5	364,163	6
Unappropriated retained earnings	3,396,727	29	2,631,525	42
Total retained earnings	<u>3,963,436</u>	<u>34</u>	<u>2,995,688</u>	<u>48</u>
Other equity interest	( 450)	-	8,728	-
Treasury shares	-	-	( 11,246 )	-
Total equity	<u>10,950,567</u>	<u>94</u>	<u>4,794,955</u>	<u>77</u>
<b>Total liabilities and equity</b>	<u>\$ 11,656,433</u>	<u>100</u>	<u>\$ 6,250,539</u>	<u>100</u>

AP Memory Technology Corporation  
Individual Statements of Comprehensive Income  
For the years ended December 31, 2022 and 2021

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

	2022		2021	
	Amount	%	Amount	%
Operating revenue (Notes 4, 19 and 26)	\$ 4,971,181	100	\$ 6,461,280	100
Operating costs (Notes 10, 20 and 26)	<u>2,863,822</u>	<u>58</u>	<u>3,593,354</u>	<u>56</u>
Gross profit	<u>2,107,359</u>	<u>42</u>	<u>2,867,926</u>	<u>44</u>
Operating expense (Notes 4, 9, 20 and 26)				
Selling expense	101,292	2	101,916	2
Administrative expense	116,928	2	166,463	2
Research and development expense	392,505	8	278,473	4
Expected credit/ impairment (gain on reversal of impairment loss) loss	( <u>638</u> )	<u>-</u>	( <u>602</u> )	<u>-</u>
Total operating expense	<u>610,087</u>	<u>12</u>	<u>546,250</u>	<u>8</u>
Net operating income	<u>1,497,272</u>	<u>30</u>	<u>2,321,676</u>	<u>36</u>
Non-operating income and expense				
Other income(Notes 4 and 20)	1,769	-	982	-
Share of profit of subsidiaries and associates accounted for using equity method (Notes 4 and 11)	19,243	1	85,024	1
Interest income (Note 4)	104,889	2	3,110	-
Gains on disposals of property, plant and equipment	54	-	-	-
Gains on disposals of investments(Note 18)	13,443	-	-	-

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	2022		2021	
	Amount	%	Amount	%
Foreign exchange gains (losses) – Net (Notes 4, 20 and 29)	\$ 700,965	14	( \$ 14,849 )	-
Gains on financial assets (liabilities) at fair value through profit or loss (Note 4 and 25)	114,018	2	118,983	2
Interest expense	( 1,341 )	-	( 1,806 )	-
Total non-operating income and expense	<u>953,040</u>	<u>19</u>	<u>191,444</u>	<u>3</u>
Income before tax	2,450,312	49	2,513,120	39
Income tax expense (Notes 4 and 21)	( 508,616 )	( 10 )	( 487,663 )	( 8 )
Net profit (loss) for the year	<u>1,941,696</u>	<u>39</u>	<u>2,025,457</u>	<u>31</u>
Other comprehensive income (Notes 4 and 18)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	2,860	-	( 1,299 )	-
Share of the other comprehensive income of subsidiaries accounted for using equity method	<u>1,405</u>	-	( 15 )	-
	<u>4,265</u>	-	( 1,314 )	-
Other comprehensive income for the year (net of income tax)	<u>4,265</u>	-	( 1,314 )	-
Total comprehensive income for the year	<u>\$ 1,945,961</u>	<u>39</u>	<u>\$ 2,024,143</u>	<u>31</u>
Earnings per share (Note 22)				
Basic	<u>\$ 12.09</u>		<u>\$ 13.67</u>	
Diluted	<u>\$ 11.96</u>		<u>\$ 13.45</u>	



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

(In Thousands of New Taiwan Dollars)

	Share capital (Notes 4, 18 and 23)			Capital surplus (Notes 4, 18 and 23)	Retained earnings (Notes 4 and 18)			Other equity (Notes 4, 18) Exchange differences on translating the financial statements of foreign operations	Treasury shares (Notes 4 and 18)	Total equity	
	Ordinary share	Advance receipts for ordinary share	Total		Legal reserve	Special reserve	Unappropriated retained earnings				Total
Balance at January 1, 2021	\$ 742,316	\$ 532	\$ 742,848	\$ 1,020,722	\$ 282,992	\$ 4,576	\$ 1,053,036	\$ 1,340,604	\$ 10,042	( \$ 11,246 )	\$ 3,102,970
Appropriation of the 2020 earnings											
Legal reserve	-	-	-	-	81,171	-	( 81,171 )	-	-	-	-
Special reserve	-	-	-	-	-	( 4,576 )	4,576	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	-	( 370,373 )	( 370,373 )	-	-	( 370,373 )
Compensation cost for employee share options	-	-	-	25,465	-	-	-	-	-	-	25,465
Net profit for the year 2021	-	-	-	-	-	-	2,025,457	2,025,457	-	-	2,025,457
Other comprehensive income after tax for the year 2021	-	-	-	-	-	-	-	-	( 1,314 )	-	( 1,314 )
Total comprehensive income for the year 2021	-	-	-	-	-	-	<u>2,025,457</u>	<u>2,025,457</u>	( <u>1,314</u> )	-	<u>2,024,143</u>
Issuance of ordinary shares under the employee share option plan	<u>1,820</u>	<u>2,329</u>	<u>4,149</u>	<u>8,601</u>	-	-	-	-	-	-	<u>12,750</u>
Balance at December 31, 2021	744,136	2,861	746,997	1,054,788	364,163	-	2,631,525	2,995,688	8,728	( 11,246 )	4,794,955
Appropriation of the 2021 earnings											
Legal reserve	-	-	-	-	202,546	-	( 202,546 )	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	-	( 968,275 )	( 968,275 )	-	-	( 968,275 )
Compensation cost for employee share options	-	-	-	26,099	-	-	-	-	-	-	26,099
Disposal of investments accounted for using equity method	-	-	-	-	-	-	-	-	( 13,443 )	-	( 13,443 )
Proceeds from issuing shares	64,000	-	64,000	5,087,283	-	-	-	-	-	-	5,151,283
Treasury stock retired	( 2,580 )	-	( 2,580 )	( 2,993 )	-	-	( 5,673 )	( 5,673 )	-	11,246	-
Net profit for the year 2022	-	-	-	-	-	-	1,941,696	1,941,696	-	-	1,941,696
Other comprehensive income after tax for the year 2022	-	-	-	-	-	-	-	-	4,265	-	4,265
Total comprehensive income for the year 2022	-	-	-	-	-	-	<u>1,941,696</u>	<u>1,941,696</u>	<u>4,265</u>	-	<u>1,945,961</u>
Issuance of ordinary shares under the employee share option plan	<u>2,230</u>	( <u>2,013</u> )	<u>217</u>	<u>13,770</u>	-	-	-	-	-	-	<u>13,987</u>
Balance at December 31, 2022	<u>\$ 807,786</u>	<u>\$ 848</u>	<u>\$ 808,634</u>	<u>\$6,178,947</u>	<u>\$ 566,709</u>	<u>\$ -</u>	<u>\$3,396,727</u>	<u>\$3,963,436</u>	( <u>\$ 450</u> )	<u>\$ -</u>	<u>\$10,950,567</u>

AP Memory Technology Corporation  
Individual Statements of Cash Flows  
For the years ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

	2022	2021
Cash flow from operating activities		
Income before tax for the year	\$ 2,450,312	\$ 2,513,120
Adjustments to reconcile profit (loss)		
Depreciation expense	53,997	43,001
Amortization expense	2,791	14,439
Expected credit/ impairment (gain on reversal of impairment loss) loss	( 638 )	( 602 )
Valuation gain on financial assets at fair value through profit or loss	( 114,018 )	( 118,983 )
Interest expense	1,341	1,806
Interest income	( 104,889 )	( 3,110 )
Dividend income	( 322 )	( 503 )
Cost of share-based payment	20,179	20,135
Share of profit (loss) of subsidiaries and associates accounted for using equity method	( 19,243 )	( 85,024 )
Loss on disposal and scrap of property, plant and equipment	494	-
Gains on disposal of associates accounted for using equity method	( 13,443 )	-
Loss of inventory falling price and slow-moving inventory	25,604	63,481
Unrealized foreign exchange loss (gain)	( 2,451 )	( 24,446 )
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	-	225,207
Accounts receivable	235,356	( 91,907 )
Other receivables	19,293	383,337
Inventories	142,671	( 1,135,021 )
Prepayment	( 8,715 )	( 89,037 )
Other current assets	( 26 )	( 81 )
Refundable deposits	582	( 243,440 )
Contract liabilities	( 149,589 )	172,570
Accounts payable	( 452,124 )	373,870
Other payables	( 48,098 )	( 153,094 )
Other current liabilities	( 1,003 )	1,251
Cash inflow (outflow) generated from operations	2,038,061	1,866,969
Interest received	93,227	3,030

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	2022	2021
Dividend received	\$ 322	\$ 503
Interest paid	( 1,341 )	( 1,808 )
Income taxes paid	( 580,544 )	( 84,913 )
Net cash inflow (outflow) generated from operating activities	<u>1,549,725</u>	<u>1,783,781</u>
Cash flows from investing activities		
Acquisition of investment accounted for using equity method	( 70,911 )	-
Proceeds from disposal of subsidiaries	76,239	-
Purchase of property, plant and equipment	( 24,302 )	( 88,055 )
Increase in refundable deposits	-	( 12,975 )
Acquisition of intangible assets	( 799 )	( 6,564 )
Dividends received from associates	<u>11,160</u>	<u>492,041</u>
Net cash flows from investing activities	<u>( 8,613 )</u>	<u>384,447</u>
Cash flows from (used in) financing activities		
Decrease in short-term loans	-	( 85,140 )
Increase in guarantee deposits	-	14,000
Payment of lease liabilities	( 38,410 )	( 32,770 )
Cash dividend paid	( 968,275 )	( 370,373 )
Proceeds from issuing shares	5,151,283	-
Exercise of employee share options	13,987	12,750
Acquisition of ownership interests in subsidiaries (Note 11)	-	( 27,665 )
Disposal of ownership interests in subsidiaries	<u>-</u>	<u>399,000</u>
Net cash from financing activities	<u>4,158,585</u>	<u>( 90,198 )</u>
Net increase in cash and cash equivalents	5,699,697	2,078,030
Cash and cash equivalents at the beginning of the year	<u>2,303,832</u>	<u>225,802</u>
Cash and cash equivalents at the end of the year	<u>\$ 8,003,529</u>	<u>\$ 2,303,832</u>

## Declaration of Consolidation of Financial Statements of Affiliates

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

Company: AP Memory Technology Corporation

Person in charge: Chen, Wen-liang

## INDEPENDENT AUDITORS'S REPORT

The Board of Directors and Stockholders  
AP Memory Technology Corporation

### Opinion

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

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

### Basis for Opinion

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

### Key Audit Matters

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

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

#### Sales Revenue from Specific Customers

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

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

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

#### **Other Matters**

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

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

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

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

Deloitte & Touche

Taipei, Taiwan

Republic of China

Date: February 24, 2023

Notice to Readers

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

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



## AP Memory Technology Corporation and its Subsidiaries

## Consolidated Balance Sheets

As of December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

Assets	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
<b>Current assets</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 8,182,432	70	\$ 2,517,447	40
Financial assets at amortized cost - Current (Notes 4, 8 and 28)	2,782	-	2,763	-
Accounts receivable (Notes 4, 9, 20 and 27)	638,597	5	854,080	14
Other receivables (Notes 4 and 9)	31,879	-	38,106	1
Current tax assets (Note 4)	80	-	-	-
Inventories (Notes 4 and 10)	1,528,392	13	1,696,621	27
Other current assets (Note 16)	62,456	1	15,516	-
Total current assets	<u>10,446,618</u>	<u>89</u>	<u>5,124,533</u>	<u>82</u>
<b>Non-current assets</b>				
Financial assets at fair value through profit or loss - Non-current (Notes 4, 5, 7 and 26)	256,007	2	141,989	2
Financial assets at amortized cost - Non-current (Notes 4 and 8)	6,522	-	5,789	-
Investments accounted for using equity method (Notes 4 and 12)	114,991	1	87,123	1
Property, plant and equipment (Notes 4 and 13)	80,634	1	81,399	1
Right-of-use assets (Notes 4 and 14)	80,018	1	98,908	2
Other intangible assets (Notes 4 and 15)	21,711	-	16,978	-
Deferred tax assets (Notes 4 and 22)	31,163	-	25,486	1
Refundable deposits (Note 29)	464,452	4	464,971	7
Other non-current assets (Note 16)	189,195	2	231,467	4
Total non-current assets	<u>1,244,693</u>	<u>11</u>	<u>1,154,110</u>	<u>18</u>
Total assets	<u>\$ 11,691,311</u>	<u>100</u>	<u>\$ 6,278,643</u>	<u>100</u>
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Contract liabilities (Notes 4 and 20)	\$ 23,043	-	\$ 173,602	3
Accounts payable	149,961	1	600,046	9
Other payables (Note 17)	146,564	1	192,369	3
Current tax liabilities (Note 4)	295,101	3	388,279	6
Lease liabilities - Current (Notes 4 and 14)	54,559	1	41,286	1
Other current liabilities (Note 17)	3,262	-	4,258	-
Total current liabilities	<u>672,490</u>	<u>6</u>	<u>1,399,840</u>	<u>22</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities (Notes 4 and 22)	45,132	-	19,278	1
Lease liabilities - Non-current (Notes 4 and 14)	9,122	-	50,570	1
Guarantee deposits received	14,000	-	14,000	-
Total non-current liabilities	<u>68,254</u>	<u>-</u>	<u>83,848</u>	<u>2</u>
Total liabilities	<u>740,744</u>	<u>6</u>	<u>1,483,688</u>	<u>24</u>
<b>Equity (Notes 4, 19, 24)</b>				
Share capital				
Ordinary share	807,786	7	744,136	12
Advance receipts for ordinary share	848	-	2,861	-
Total shares	<u>808,634</u>	<u>7</u>	<u>746,997</u>	<u>12</u>
Capital surplus	<u>6,178,947</u>	<u>53</u>	<u>1,054,788</u>	<u>17</u>
Retained earnings				
Legal reserve	566,709	5	364,163	5
Unappropriated earnings	3,396,727	29	2,631,525	42
Total retained earnings	<u>3,963,436</u>	<u>34</u>	<u>2,995,688</u>	<u>47</u>
Other equity	(450)	-	8,728	-
Treasury shares	-	-	(11,246)	-
Total equity	<u>10,950,567</u>	<u>94</u>	<u>4,794,955</u>	<u>76</u>
Total liabilities and equity	<u>\$ 11,691,311</u>	<u>100</u>	<u>\$ 6,278,643</u>	<u>100</u>

AP Memory Technology Corporation and its Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

	2022		2021	
	Amount	%	Amount	%
Operating revenue (Notes 20 and 27)	\$ 5,094,775	100	\$ 6,617,215	100
Operating costs (Notes 10 and 21)	<u>2,873,381</u>	<u>56</u>	<u>3,591,607</u>	<u>54</u>
Gross profit	<u>2,221,394</u>	<u>44</u>	<u>3,025,608</u>	<u>46</u>
Operating expense (Notes 4, 9 and 21)				
Selling expense	126,823	3	115,405	2
Administrative expense	132,623	3	181,544	3
Research and development expense	462,066	9	359,104	5
Expected credit/ impairment (gain on reversal of impairment loss) loss	( <u>638</u> )	<u>-</u>	( <u>602</u> )	<u>-</u>
Total operating expense	<u>720,874</u>	<u>15</u>	<u>655,451</u>	<u>10</u>
Net operating income	<u>1,500,520</u>	<u>29</u>	<u>2,370,157</u>	<u>36</u>
Non-operating income and expense				
Other income	9,008	-	23,797	-
Share of other comprehensive income of associates, accounted for using equity method (Notes 12)	5,964	-	12,618	-
Interest income	106,839	2	4,957	-
Gains on disposals of property, plant and equipment	54	-	-	-
Gains on disposals of investments	13,443	1	-	-
Profit from lease modification	25	-	-	-
Gains on financial assets (liabilities) at fair value through profit or loss (Note 26)	114,018	2	120,071	-
Interest expense	( 1,570 )	-	( 1,951 )	2
Foreign exchange gains (losses) – Net (Notes 21 and 31)	<u>700,982</u>	<u>14</u>	( <u>15,383</u> )	<u>-</u>
Total non-operating income and expense	<u>948,763</u>	<u>19</u>	<u>144,109</u>	<u>2</u>

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

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

(In Thousands of New Taiwan Dollars)

	Share capital (Notes 4, 19 and 24)			Capital surplus (Notes 4, 19 and 24)	Retained earnings (Notes 4 and 19)				Other equity interest (Notes 4, 19)		Total equity
	Ordinary share	Advance receipts for ordinary share	Total		Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translating the financial statements of foreign operations	Treasury shares (Notes 4 and 19)	
Balance at January 1, 2021	\$ 742,316	\$ 532	\$ 742,848	\$ 1,020,722	\$ 282,992	\$ 4,576	\$ 1,053,036	\$ 1,340,604	\$ 10,042	( \$ 11,246 )	\$ 3,102,970
Appropriation of the 2020 earnings											
Legal reserve	-	-	-	-	81,171	-	( 81,171 )	-	-	-	-
Special reserve	-	-	-	-	-	( 4,756 )	4,576	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	-	( 370,373 )	( 370,373 )	-	-	( 370,373 )
Compensation cost for employee share options	-	-	-	25,465	-	-	-	-	-	-	25,465
Net profit for the year 2021	-	-	-	-	-	-	2,025,457	2,025,457	-	-	2,025,457
Other comprehensive income after tax for the year 2021	-	-	-	-	-	-	-	-	( 1,314 )	-	( 1,314 )
Total comprehensive income for the year 2021	-	-	-	-	-	-	2,025,457	2,025,457	( 1,314 )	-	2,024,143
Issuance of ordinary shares under the employee share option plan	1,820	2,329	4,149	8,601	-	-	-	-	-	-	12,750
Balance at December 31, 2021	744,136	2,861	746,997	1,054,788	364,163	-	2,631,525	2,995,688	8,728	( 11,246 )	4,794,955
Distribution and appropriation of the 2021 earnings											
Legal reserve	-	-	-	-	202,546	-	( 202,546 )	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	-	( 968,275 )	( 968,275 )	-	-	( 968,275 )
Compensation cost for employee share options	-	-	-	26,099	-	-	-	-	-	-	26,099
Disposal of investments accounted for using equity method	-	-	-	-	-	-	-	-	( 13,443 )	-	( 13,443 )
Proceeds from issuing shares	64,000	-	64,000	5,087,283	-	-	-	-	-	-	5,151,283
Treasury stock retired	( 2,580 )	-	( 2,580 )	( 2,993 )	-	-	( 5,673 )	( 5,673 )	-	11,246	-
Net profit for the year 2022	-	-	-	-	-	-	1,941,696	1,941,696	-	-	1,941,696
Other comprehensive income after tax for the year 2022	-	-	-	-	-	-	-	-	4,265	-	4,265
Total comprehensive income for the year 2022	-	-	-	-	-	-	1,941,696	1,941,696	4,265	-	1,945,961
Issuance of ordinary shares under the employee share option plan	2,230	( 2,013 )	217	13,770	-	-	-	-	-	-	13,987
Balance at December 31, 2022	\$ 807,786	\$ 848	\$ 808,634	\$ 6,178,947	\$ 566,709	\$ -	\$ 3,396,727	\$ 3,963,436	( \$ 450 )	\$ -	\$ 10,950,567

AP Memory Technology Corporation and its Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities		
Income before income taxes	\$ 2,449,283	\$ 2,514,266
Adjustments to reconcile profit (loss)		
Depreciation expense	58,876	48,237
Amortization expense	15,799	25,050
Expected credit/ impairment (gain on reversal of impairment loss) loss	( 683 )	( 602 )
Valuation gain on financial assets at fair value through profit or loss	( 114,018 )	( 120,071 )
Interest expense	1,570	1,951
Interest income	( 106,839 )	( 4,957 )
Dividend income	( 322 )	( 503 )
Cost of share-based payment	26,099	25,465
Share of profit (loss) of associates accounted for using equity method	( 5,964 )	( 12,618 )
Loss on disposal and scrap of property, plant and equipment	( 54 )	-
Profit from lease modification	( 25 )	-
Gain (on disposal of assets)	( 13,443 )	-
Loss of inventory falling price and slow-moving inventory	25,675	63,481
Unrealized foreign exchange loss (gain)	( 4,839 )	( 24,446 )
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	-	976,634
Notes and accounts receivable	223,233	( 251,038 )
Other receivables	17,654	384,775
Inventories	142,554	( 1,135,047 )
Other assets	( 4,666 )	( 97,408 )
Refundable deposits	519	( 243,440 )
Contract liabilities	( 150,559 )	173,514
Accounts payable	( 452,124 )	365,124
Other payables	( 45,483 )	( 141,367 )
Other current liabilities	( 996 )	1,556
Cash inflow (outflow) generated from operations	2,061,292	2,548,556
Interest received	95,178	4,143
Dividend received	322	503

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

### **Attachment 3. Audit Committee's Review Report**

## **Audit Committee's Review Report**

The Board of Directors has prepared the AP Memory Technology Corporation's (APM) 2022 Business Report, Financial Statements and proposal for allocation of annual earnings. The CPA firm of Deloitte & Touche was retained to audit APM's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and the annual earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of APM. According to relevant requirements of the Securities and Exchange Act and Company Law, we hereby submit this report.

### **AP Memory Technology Corporation**

Chairman of Audit Committee : Yeh, Jui-Pin

April 7<sup>th</sup>, 2023

#### Attachment 4. List of Director Candidates

Title/Name	Professional Qualifications & Education	Current Positions	Shareholdings (shares)
<b>Director</b> <b>Chen, Wen-Liang</b>	<ul style="list-style-type: none"> <li>■ Senior R&amp;D Manager of Cypress Semiconductor Corporation, USA</li> <li>■ President, Cascade Semiconductor Corporation, USA</li> <li>■ Manager of R&amp;D Department of Intel Corporation, USA</li> <li>■ Ph.D., Applied Physics, Yale University, USA</li> </ul>	<ul style="list-style-type: none"> <li>■ Chairman of the Board, CEO and CTO, AP Memory Corporation</li> <li>■ Chairman of the Board, VIVR Corporation</li> <li>■ Person in charge, VIVR Corporation Taiwan Branch</li> <li>■ Chairman of the Board, Onecent Technology Ltd.</li> <li>■ Director of the Board, Lyontek Inc.;</li> <li>■ Director of the Board, AI Memory Corporation;</li> <li>■ Supervisor of AP Memory Technology (Hangzhou) Co. Limited</li> </ul>	61,358
<b>Director</b> <b>Hung, Chih-Hsun</b>	<ul style="list-style-type: none"> <li>■ R&amp;D Engineering and Production Operation Assistant Manager of Alcor Micro, Corporation;</li> <li>■ Senior Production and Operation Manager of Powerflash Technology Corporation;</li> <li>■ Production and Operation Manager of eMemory Technology Inc.;</li> <li>■ Ph.D., Industrial Engineering and Management, National Yang Ming Chiao Tung University.</li> </ul>	<ul style="list-style-type: none"> <li>■ Director of Board, President, AP Memory Technology Corporation</li> <li>■ Director of Board , CascadeTeq Inc.</li> <li>■ Director of Board, AP Memory Technology (Hangzhou) Co. Limited;</li> <li>■ Director of Board, AP Memory Technology (Hong Kong) Co. Limited.;</li> <li>■ Director of Board, APware Technology Corp.</li> </ul>	101,509
<b>Director</b> <b>Li Shun Investment Co.</b>  <b>Representative:</b> <b>Hsieh, Ming-Lin</b>	<ul style="list-style-type: none"> <li>■ Vice President of Corporate Development, Powerchip Technology Corporation</li> <li>■ Assistant Manager of Investment Department, LiSi Management Consulting Co.</li> <li>■ Director of Ili Technology Corp.</li> <li>■ Master, Business Administration, National Taiwan University</li> </ul>	<ul style="list-style-type: none"> <li>■ Director of Board, AP Memory Technology Corporation</li> <li>■ Chairman of Board, Li Shun Investment Co.</li> <li>■ Chairman of Board, Treasure Fort Investments Ltd., British Virgin Islands</li> <li>■ Director of Board, Quantum Vision Corp.</li> <li>■ Director of Board, Liksei Venture Capital Co.</li> <li>■ Director of Board, Syntronix Corporation</li> <li>■ Director of Board, Teknowledge Development</li> </ul>	127,854  0



Title/Name	Professional Qualifications & Education	Current Positions	Shareholdings (shares)
		Corp. ■ Director of Board, LiHsin Investment Corp. ■ Director of Board, Lontium Semiconductor Corporation Holding Limited ■ Director of Board, AI Medical Technology Corporation ■ Director of Board, Powerax Quantum Electronic Corporation ■ Independent Director of Icatch Technology, Inc. ■ Supervisor of A I Memory Corporation ■ Supervisor of Liyu Venture Capital Co. ■ Vice President of Powerchip Semiconductor Manufacturing Corporation	
<b>Director</b> <b>Shanyi Investment Co., Ltd</b>  <b>Representative:</b> <b>Liu, Chin-Hung</b>	■ Chief Engineer of SRAM Product Engineering, Cypress Semiconductor Corporation, USA ■ Process Integration Engineer of United Microelectronics Corporation ■ Master's in Applied Chemistry, National Yang Ming Chiao Tung University	■ Senior Vice President, AP Memory Technology Corporation	26,706,668           477,252
<b>Independent Director</b> <b>Wang, Hsuan</b>	■ Member of compensation committee of AbonMax Co., Ltd. ■ Member of Purchasing Committee of NCC ■ Consultant of Chunghwa Telecom ■ UNC at Chapel hill Kenan-Flagler Business School (accounting area) Visiting Scholars ■ Part-Time Lecturer of National Taiwan University. ■ Certified Public Accountant ■ Certified Internal Auditor ■ Ph.D, Accounting, National Taiwan University	■ Independent Director of the Board, AP Memory Co., Ltd ■ Independent Director of the Board, Advanced Lithium Electrochemistry (Cayman) Co., Ltd. ■ Independent Director of the Board, Highpoint Service Network Corporation ■ Assistant Professor, Yuan Ze University	0

Title/Name	Professional Qualifications & Education	Current Positions	Shareholdings (shares)
<b>Independent Director</b> <b>Sun, Elizabeth</b>	<ul style="list-style-type: none"> <li>■ Senior Director, Corporate Communication Division &amp; Deputy Spokesman of TSMC</li> <li>■ Partner and CFO, InveStar Capital</li> <li>■ GMr&amp; Head of research, HSBC Securities in Taiwan</li> <li>■ VP and GM-Taiwan, State Street Corporation</li> <li>■ Associate Professor of Finance, San Jose State University</li> <li>■ Ph.D, University of Cincinnati Carl H. Lindner College of Business</li> </ul>	<ul style="list-style-type: none"> <li>■ Independent Director of the Board, AP Memory Co., Ltd</li> <li>■ Honorary Chairperson, Taiwan Investor Relations Institute</li> <li>■ Member of AGGA</li> <li>■ Consultant, MediaTek Inc.</li> </ul>	0
<b>Independent Director</b> <b>Yeh, Jui-Pin</b>	<ul style="list-style-type: none"> <li>■ Chairman of Synopsys Taiwan Co., Ltd.</li> <li>■ Global Vice President of Synopsys Inc.</li> <li>■ Chairman of Kuan Hsin Venture Capital Co.</li> <li>■ CEO of Youngtek Electronics Corp.</li> <li>■ Business Manager of Hewlett-Packard Company</li> <li>■ Master, Electrical Engineering, National Central University</li> </ul>	<ul style="list-style-type: none"> <li>■ Independent Director of the Board, AP Memory Co., Ltd</li> <li>■ Director of Board, Mytek Corp.</li> <li>■ Independent Director of the Board, Progate Group Corporation</li> </ul>	0
<b>Independent Director</b> <b>Liu, Frank</b>	<ul style="list-style-type: none"> <li>■ Independent Director of the board, member of audit committee, and member of compensation committee of RITDISPLAY Corporation</li> <li>■ Independent Director of the board, member of audit committee, and member of compensation committee of PRIMAX ELECTRONICS Ltd.</li> <li>■ Director of Transpac Capital Pte Ltd</li> <li>■ Director of Hong Kong Techno Venture Ltd</li> <li>■ Chairman of Lee Tah Farm Industries co., Ltd</li> <li>■ Chairman of Lydon Textile Co</li> <li>■ Chairman of. China Enterprise Forum</li> <li>■ Director of Fuqun CVS Inc.</li> <li>■ Director of TOYS"R"US Trading Limited</li> <li>■ President of Hong Kong Li &amp; Fung Group (Taiwan) Co.</li> <li>■ President of Fai Hing Co.</li> <li>■ President of Tuan Ho Trading Co.</li> <li>■ M.S., Electrical Engineering and Computer Science, MIT</li> <li>■ M.S., Physics ,Purdue University</li> </ul>	<ul style="list-style-type: none"> <li>■ Independent Director of the Board, AP Memory Co., Ltd</li> <li>■ Chairman of Chelmsford. International Ltd</li> <li>■ Director of the board of Taiwan Mergers &amp; Acquisitions and Private Equity Council</li> <li>■ Director of the board of Subic Bay Development and Management Co. Ltd</li> </ul>	0

## Attachment 5 : The status of the competition of the newly elected Directors

Title	Name	The status of the competition
Director	Chen, Wen-Liang	<ul style="list-style-type: none"> <li>■ Chairman of the Board, VIVR Corporation</li> <li>■ Person in charge, VIVR Corporation Taiwan Branch</li> <li>■ Chairman of the Board, Onecent Technology Ltd.</li> <li>■ Director of the Board, Lyontek Inc.;</li> <li>■ Director of the Board, AI Memory Corporation</li> </ul>
Director	Hung, Chih-Hsun	<ul style="list-style-type: none"> <li>■ Director of Board , CascadeTeq Inc.</li> <li>■ Director of Board, AP Memory Technology (Hangzhou) Co. Limited;</li> <li>■ Director of Board, AP Memory Technology (Hong Kong) Co. Limited.;</li> <li>■ Director of Board, APware Technology Corp.</li> </ul>
Director	Li Shun Investment Co. Representative: Hsieh, Ming-Lin	<ul style="list-style-type: none"> <li>■ Chairman of Board, Li Shun Investment Co.</li> <li>■ Chairman of Board, Treasure Fort Investments Ltd., British Virgin Islands</li> <li>■ Director of Board, Quantum Vision Corp.</li> <li>■ Director of Board, Liksei Venture Capital Co.</li> <li>■ Director of Board, Syntronix Corporation</li> <li>■ Director of Board, Teknowledge Development Corp.</li> <li>■ Director of Board, LiHsin Investment Corp.</li> <li>■ Director of Board, Lontium Semiconductor Corporation Holding Limited</li> <li>■ Director of Board, AI Medical Technology Corporation</li> <li>■ Director of Board, Powerax Quantum Electronic Corporation</li> <li>■ Independent Director of Icatch Technology, Inc.</li> <li>■ Vice President of Powerchip Semiconductor Manufacturing Corporation</li> </ul>
Independent Director	Wang, Hsuan	<ul style="list-style-type: none"> <li>■ Independent Director of the Board, Advanced Lithium Electrochemistry (Cayman) Co., Ltd.</li> <li>■ Independent Director of the Board, Highpoint Service Network Corporation</li> </ul>
Independent Director	Yeh, Jui-Pin	<ul style="list-style-type: none"> <li>■ Director of Board, Mytek Corp.</li> <li>■ Independent Director of the Board, Progate Group Corporation</li> </ul>
Independent Director	Liu, Frank	<ul style="list-style-type: none"> <li>■ Chairman of Chelmsford. International Ltd</li> </ul>