Stock Code: 6531

AP Memory Technology Corporation

Annual Report 2023

Notice to readers

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

Annual report is available at:

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

Company official website:

https://www.apmemory.com/investors/annual-report-n/

Printed on April 15, 2024

I. Company spokesman and acting spokesman:

	Spokesman	Acting Spokesman
Name:	Lin, Yu-Hsin	Hung, Chih-Hsun
Job Title:	CFO	President
Tel.:	+886-3-560-1651	+886-3-560-1651
Email:	ir@apmemory.com	ir@apmemory.com

II. Company Address and Tel. No.:

Address: 10F-1, No1 Taiyuan 1st St., Zhubei City, Hsinchu County 30288, Taiwan

Tel.: +886-3-560-1558

III. Shares Register:

Name: KGI Security

Address: 5F, No. 2, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City, Taiwan.

Website: www.kgi.com.tw

Tel.: +886-2-2389-2999

IV. Certificated CPA

Name: CPA Chien, Ming-Yen 、CPA Chuang, Pi-Yu

Office: Deloitte & Touche

Address: 20F., No. 100, Songren Rd., Sinyi Dist., Taipei City, Taiwan

Website: www.deloitte.com.tw

Tel.: +886-2-2725-9988

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

Luxembourg Stock Exchange

by which to access information on said offshore securities:

https://www.bourse.lu/home

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

INDEX

I Letter to Shareholders

AP Memory had an exciting year in 2023. The semiconductor industry gradually recovered from the major inventory correction in the 2021-2022 cycle, while the emergence of generative AI created industry-wide excitement. AP Memory's IoT business reflected the gradual recovery. The long-term potential of generative AI is yet to be reflected in AI business. However, our financial performance remained strong, despite of the foreign exchange volatility throughout the year.

On consolidated basis, AP Memory earned NT$1,445 million (NT$8.93 per share) in net income in 2023. Compared to 2022 net income of NT$1,942 million (NT$12.09 per share), the company's net income and earnings per share decreased by 26%. Revenue decreased from NT$5.1 billion to NT$4.2 billion, by 17%, in the same period. Gross margin rate remained relatively stable, at 42% for the full year. Starting from the second half of 2022, we took proactive steps to control our inventory level. The 2023 year-end inventory is valued at NT$0.9 billion, a 44% decrease from the end of 2022. Our balance sheet further strengthened from the end of 2022. Cash and cash equivalents represent 71% of our total assets. Net shareholder equity slightly increased by 3% from the end of 2022 to NT$11.3 billion, after a dividend payout of NT$7 per share in 2023.

Unit：In Thousands of New Taiwan Dollars

	2023 (A)	2022(B)	ΔAMT(C=A-B)	Δ%(C/B)
Operating revenue	4,226,907	5,094,775	(867,868)	(17%)
Gross profit margin (%)	42%	44%	(2 ppts)	
Operating expense	902,225	720,874	181,351	25%
Operating expense ratio (%)	22%	15%	7 ppts	
Net operating income	852,781	1,500,520	(647,739)	(43%)
Non-operating income	766,200	948,763	(182,563)	(19%)
Profit before tax	1,618,981	2,449,283	(830,302)	(34%)
Net profit (loss) for the year	1,444,970	1,941,696	(496,726)	(26%)
Net profit margin (%)	34%	38%	(4 ppts)	
EPS(NT$)	8.93	12.09	(3.16)	(26%)

Unit：In Thousands of New Taiwan Dollars

	2023.12.31(D)	2022.12.31(E)	ΔAMT(F=D-E)	Δ%(F/E)
Cash and cash equivalents	8,864,216	8,182,432	681,784	8%
Inventories	851,330	1,528,392	(677,062)	(44%)
Financial assets at FVTPL	1,139,267	256,007	883,260	345%
Other current and non-current assets	1,658,778	1,724,480	(65,702)	(4%)
Total assets	12,513,591	11,691,311	822,280	7%
Total liabilities	1,191,797	740,744	451,053	61%
Capital stock	811,759	808,634	3,125	0%
Other stockholders' equity	10,510,035	10,141,933	368,102	4%
Total equity	11,321,794	10,950,567	371,227	3%

Macro Environment Changes

In the beginning of 2023, the semiconductor industry was in the middle of the most severe correction cycle in recent years. This correction was partially brought about by supply shortages experienced during COVID-19 which triggered panic buying. The subsequent normalization of the supply chain caused a severe rebalancing of supply and demand. This rebalancing has gradually resolved itself in the second half of 2023. The US-China trade war has turned into an increasingly clear segregation of supply chains between China and the rest of the world. The effect of this segregation will ripple through the industry for years to come.

In IoT BU, consistent with industry-wide trends, demand recovered gradually throughout the year; in AI BU, revenue remained low due to the short-term impact of Ethereum consensus mechanism change from Proof-of-Work to Proof-of-Stake. But we remain more optimistic than ever about the longer-term business potential brought about by generative AI.

In the following, explanations will be provided for the two business units:

IoT BU: Growing Market and Growing Competition

Our IoT Business Unit, which supplies cost-effective IoTRAM™ products to IoT market worldwide, finished the year with a 7% decrease in revenue, from NT$4,281 million in 2022 to NT$3,969 million in 2023. The decrease is a combined effect of inventory correction and market growth.

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.

We continue to see increased adoption of our IoTRAM™ product line, especially in China. The growing market has also attracted the attention of other memory suppliers. We expect increased competition in the market in the coming years. However, we are confident that we will continue to lead the market.

AI BU: Short-Term Challenges, Long-Term Potential

AI BU had a revenue of about NT$258 million, a 68% decrease from $813 million in 2022. This decrease is mainly from the effect of Ethereum consensus mechanism change, which reduced VHM™ wafer sales to almost zero.

However, the key accomplishment in 2023 is our progress in proof-of-concept (POC) projects for AI and other HPC applications. These projects are demonstrating the true potential of VHM™. The positive results from these POC projects are critical in securing our future design-ins in customer products.

The Large-Language-Model (LLM) generative AI technology emerged at the end of 2022 has blossomed to a major transformative technology. LLM inherently requires large amounts of memory, at very as-high-as-possible bandwidth, and as-low-as-possible power. We are confident VHM™ will secure its pivotal role in the revolution of memory architecture that is required by the adoption of LLM.

New Opportunities

AP Memory not only focuses on the development of the existing IoT BU and AI BU, but also continues to explore development opportunities for core technologies in other application fields. We hope to facilitate our technological capabilities and work with partners for mutually beneficial development in the future.

We are currently promoting IPD (Integrated Passive Devices), the capacitors developed with silicon material (Si-Cap). With the characteristics of silicon, the product can be integrated in 2.5D packaging seamlessly, and the main chip can attain improved power and signal integrity to enhance overall performance. Moreover, to meet the voltage regulation demands under low voltage and high power for High-Performance Computing (HPC), AP Memory is further venturing into the field of power management. We aim to develop an integrated power delivery architecture with high power efficiency and power density.

Therefore, we acquired 9.4% shares of M3 Technology Inc. (6799.TW) for 500 million NTD. Through this investment, we extend our 3D stacking advanced packaging experience and technology into the field of power management applications. The collaboration with M3 Technology in developing HPC power management solutions is a long-term plan. We expect to have mutual benefits on the technological integration, fostering a strong partnership for the innovative development of customized, high-performance, and high-quality optimal solutions.

GDR Fund Update

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. We believe this capital provides the necessary ammunition for our battle for dominance in the market.

The deployment of this capital has been slower than we originally anticipated, primarily due to geopolitical and market condition changes. We continue to evaluate opportunities for major investments in support of our long-term goals.

Cautious Outlook for 2024 and Long-term Optimism

While 2023 saw a gradual market recovery, 2024 is expected to see the effect of economic slowdown, world-wide inflation, and the persistent segregation of China vs non-China supply chains.

Our large US dollar holdings expose us to large swings of foreign exchange gains and losses. However, we believe the large interest differential between US dollar and NTD is a natural hedge again foreign exchange loss. While we do not intend to engage in financial derivatives to hedge foreign exchange losses, we believe our financial risks in our US dollar holdings are limited. On the other hand, our USD holdings will be an anchor of stability in times of uncertainty.

Despite the short-term moderation in growth, we are more optimistic than ever in our long-term growth prospects. In 2024, 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.

AP Memory Technology Corporation

Chairman & CEO Chen, Wen-Liang

President Hung, Chih-Hsun

II Company Profile

1. Company Profile

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

2. Company History

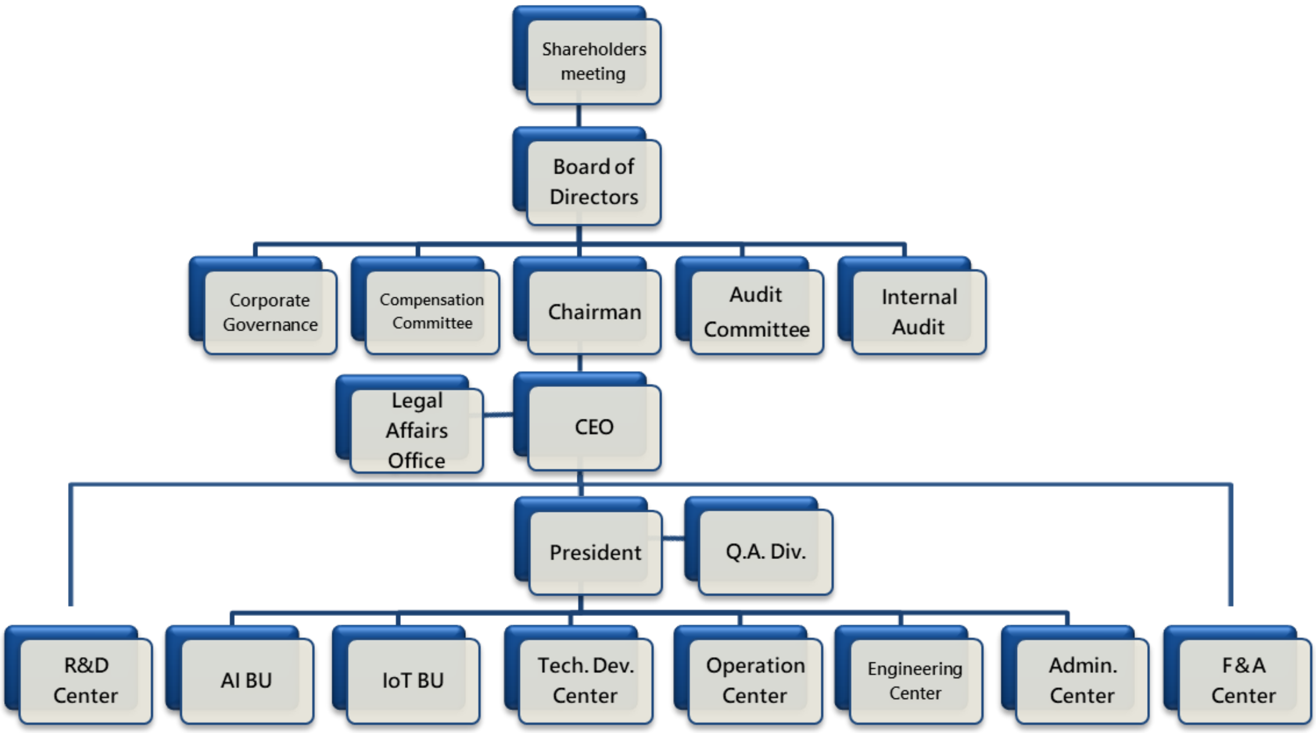
2011		
	Aug.	AP Memory is established in Zhubei City, Hsinchu County. The registered capital of AP Memory is NT$580,000, and the paid-up capital is NT$580,000.
	Dec.	The Ministry of Economic Affairs approved an increase in registered capital to NT$34,500 thousand. AP Memory’s cash capital was increased to NT$29,420 thousand. The paid-up capital after the capital increase was NT$30,000 thousand.
2012		
	Mar.	The Board of Directors passed the resolution to establish AP Memory Corp., USA, a 100% subsidiary, for USD250 thousand.
	May	The Ministry of Economic Affairs approved an increase in registered capital to NT$100,000 thousand. AP Memory transferred its surplus to increase the capital to NT$52,500 thousand. The paid-up capital after the capital increase was NT$82,500 thousand.
2015		
	Apr.	The registration of public issuance became effective.
	Jun.	Over-the-counter trading on the Taipei Exchange was approved by the Taipei Exchange.
	Jul.	AP Memory Holding Co., Ltd, a 100% subsidiary, was established in the Republic of Seychelles.
	Oct.	AP Memory transferred its surplus to increase the capital to NT$294,079 thousand. The paid-up capital after the capital increase was NT$621,853 thousand.
	Oct.	AP Memory Electronics (Beijing) Co., Ltd. was established through AP MEMORY HOLDING Co., Ltd.
2016		
	Feb.	The listing application was approved by the Taiwan Stock Exchange Committee.
	May	Before the listing, AP Memory increased its capital by cash amounted to 71,830 thousand shares. The paid-up capital after the capital increase was NT$700,433 thousand.
	May	AP Memory was officially listed and traded on the Taiwan Stock Exchange.
	Sep.	To integrate resources and bring economies of scale into play, with the approval of the Board of Directors, the public acquisition of Zentel Electronics Corporation (3553.TW, hereinafter referred to as “Zentel”) commenced on September 6, 2016 and ended on October 25, 2016.

	Nov.	AP Memory completed the closing of the public acquisition of Zentel, and Zentel became a subsidiary of AP Memory in which 55.24% of shares were held.
2017		
	Jun.	AP Memory reelected seven directors for the third term at the Annual General Shareholders' Meeting., including three independent directors, and it established an audit committee to replace the supervisor's function, so as to achieve the effect of corporate governance.
	Oct.	Taking October 1, 2017 as the basis date for the conversion of shares, Zentel became a 100% owned subsidiary of AP Memory and terminated its listing and public issuance.
2018		
	Jun.	In accordance with the Group's operation plan, AP Memory Technology (Hangzhou) Corporation was established in Hangzhou, China.
	Oct.	Repurchase of treasury shares amounting to 258,000 shares for transfer to employees.
2019		
	May	In order to protect AP Memory's credit and shareholders' equity, AP Memory bought back 1,500,000 of its treasury shares and completed the registration of capital reduction in August, 2019.
	Aug.	In accordance with the Group's operation plan, the Board of Directors decided to liquidate Zentel Electronics (Shenzhen) Corporation, a sub-subsidiary of AP Memory.
	Oct.	In accordance with the Group's operation plan, AP Memory Technology (Hong Kong) Co. Limited was established in Hong Kong.
	Dec.	In order to raise strategic investment funds, the Board of Directors resolved to sell 24% of its shares in Zentel Japan Corp.
2020		
	Mar.	As part of the restructuring of its investment structure, AP Memory sold 100% of its shares in AP Memory Holding Co., Ltd. And also lost its control of AP Memory Electronics (Beijing) Co., Ltd.
	Jun.	AP Memory reelected its directors for the fourth term at the general shareholders' meeting.
	Sep.	In accordance with the Group's operation plan, AP Memory sold remaining equity shares of its shares in Zentel Japan Corp.
2021		
	Aug.	The par value of each share was changed from NT$10 to NT$5 per resolution of the shareholders' meeting.
	Oct.	Complete the change of the par value and the outstanding shares increased from 74,340 thousand shares to 148,681 thousand shares.
	Dec.	The 1st Extraordinary Shareholders' Meeting resolved to issuance of new common shares by cash capital increase for sponsoring Global Depository Receipts(GDRs) issuance.
2022		
	Jan.	Completed the pricing and issuance of GDRs, with a total of 12,800,000 common shares issued for sponsoring 6,400,000 units of GDRs issued, raising US$189,760 thousand in cash.
	Feb.	Retirement of treasury shares purchased in October, 2018 and completed the registration of capital reduction in April, 2022.
2023		
	Nov.	Acquired 9.4% of the shares of M3 Technology Inc (6799.TW).

III Corporate Governance Report

1. Organization System

(1) Organization Structure



As of March 31, 2024

(2) Business operated by each major department

Department	Functions and Duties
R&D Center	- Design, research and development of new products
AI Business Unit (AI BU)	- Managing AI application memory products' market development, industry trend analysis, market information collection, competitor information survey.
IoT Business Unit (IoT BU)	- Managing IoT application related memory and peripheral products' market development, industry trend analysis, market information collection, competitor information survey, etc.
Technology Development Center	- Design, research and development of new process and new idea.
Quality Assurance Division	- Product quality inspection, reliability engineering, customer complaints handling, RMA analysis and response. - Planning, inspection, supervision, control and implementation of quality management system.
Operation Center	- Production raw material procurement, product outsourcing management, implementation of production management and raw material inventory control, process planning and implementation, product yield improvement.
Engineering Center	- Assisting customers to introduce new product projects, as well as circuit, logic, software design, and providing technical and production support services, as well as project development schedule and verification management.

Department	Functions and Duties
Administration Center (Admin. Center)	- Human resources planning and management, organization and talent development, employee service, safety & health management and general affairs - Evaluation, planning, maintenance, implementation, and information security management of information software and hardware systems.
Finance and Accounting Center (F&A Center)	- Financial planning, capital management. - Scheduling and budgeting operations planning. - Accounting processing operations, settlement, establishment, and implementation of tax system. - Investor relationship maintenance, etc.
Legal Affairs Office	- Contract review, legal affairs and intellectual property management.
Internal Audit	- Auditing and evaluating the internal control of AP Memory and providing improvement and suggestions to improve the operational efficiency and the effective implementation of internal control.
Corporate Governance	- Handling of matters relating to Board, Audit Committee, and Shareholders' meetings. - In compliance with law, assistance in onboarding and continuing education of directors, provision of information required for performance of duties by directors, and assistance in directors' compliance of law, etc.

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

(1) Directors, Supervisors

A. Information of Directors

April 15, 2024; Unit: Share

Job Title	Nationality or Place of Registration	Name	Gender / Age (Note1)	Elected Date	Term of office	Commencement date of first term	Shares held at time of election		Shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualification	Positions held concurrently in the company and/or in any other company	Other officers, directors, or supervisors with which the person has a relationship of spouse or relative within the second degree		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman	Taiwan	Chen, Wen-Liang	Male / A	May 29, 2023	3 years	June 15, 2020	61,358	0.04%	61,776	0.04%	—	—	—	—	Manager of R&D Department of Intel Corporation, USA; Senior R&D Manager of Cypress Semiconductor Corporation, USA; President, Cascade Semiconductor Corporation, USA; Ph.D. in Applied Physics, Yale University, USA	CEO and CTO, AP Memory Corporation; Chairman of the Board, VIVR Corporation; Chairman of the Board appointed by AP Memory Corporation, M3 Technology Inc; Person in charge, VIVR Corporation Taiwan Branch; Director of the Board, Onecent Technology Ltd.; Director of the Board, Lyontek Inc.; Director of the Board, AI Memory Corporation; Supervisor of AP Memory Technology (Hangzhou) Co. Limited.	N/A	N/A	N/A
Director	Taiwan	Hung, Chih-Hsun	Male / A	May 29, 2023		May 20, 2023	101,509	0.06%	102,112	0.06%					Assistant Vice President of R&D Engineering and Production Operation, Alcor Micro Corporation; Senior Production and Operation Manager of Powerflash Technology Corporation; Production and Operation Manager of eMemory Technology Inc.; Ph.D. in Industrial Engineering and Management, National Yang Ming Chiao Tung University.	President, AP Memory Technology Corporation; Chairman of Board, CascadeTeq Inc.; Executive Director of the Board, AP Memory Technology (Hangzhou) Co. Limited; Sole Director of the Borad, AP Memory Technology (Hong Kong) Co. Limited.	N/A	N/A	N/A
Director	Taiwan	Shanyi Investment Co., Ltd	—	May 29, 2023	3 years	June 4, 2014	26,706,668	16.50%	26,706,668	16.47%	—	—	—	—	—	—	N/A	N/A	N/A
	Taiwan	Representative: Liu, Chin-Hung	Male / A				477,252	0.29%	407,791	0.25%	—	—	—	—	Chief Engineer, Cypress Semiconductor Corporation, USA; Process Integration Engineer, United Microelectronics Corporation; Master Degree in Applied Chemistry, National Yang Ming Chiao Tung University	Senior Vice President, AP Memory	N/A	N/A	N/A
Director	Taiwan	Li Shun Investment Co.	—	May 29, 2023	3 years	June 4, 2014	127,854	0.08%	127,854	0.08%	—	—	—	—	—	—	N/A	N/A	N/A
	Taiwan	Representative: Hsieh, Ming-Lin	Male / A	May 29, 2023			—	—	—	—	—	—	—	—	Vice President, Powerchip Technology Corporation Assistant Manager of Investment Department, LiSi Management Consulting Co. Director of Ili Technology Corp. Master Degree in Business Administration, National Taiwan University	Chairman of the Board, Li Shun Investment Co.; Chairman of the Board, Treasure Fort Investments Ltd., British Virgin Islands; Director of the Board, Quantum Vision Corp.; Director of the Board, Liksei Venture Capital Co.; Director of the Board, Syntronix Corporation; Director of the Board, Teknowledge Development Corp.; Director of Borad, LiHsin Investment Corp.; Director of the Board, Lonex Holding Limited; Director of the Board, AI Medical Technology Corporation; Director of the Board, Powerax Quantum Electronic Corporation; Director of the Board, Director of the Board, Innostar Service, Inc.; Powercoin Technology Corporation; Director of the Board, Skyvision Aviation Corp.; Director of the Board, HIYES International Co., Ltd.; Director of the Board, Nexchip Semiconductor Corporation; Independent Director of Icatch Technology, Inc.;	N/A	N/A	N/A

Job Title	Nationality or Place of Registration	Name	Gender / Age (Note1)	Elected Date	Term of office	Commencement date of first term	Shares held at time of election		Shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualification	Positions held concurrently in the company and/or in any other company	Other officers, directors, or supervisors with which the person has a relationship of spouse or relative within the second degree		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
																Supervisor of A I Memory Corporation; Supervisor of Liyu Venture Capital Co.; Diretor of the Board & Vice President of Powerchip Investment Holding Corporation			
Independent Director	Taiwan	Wang, Hsuan	Female / A	May 29, 2023	3 Years	Aug, 20, 2021	—	—	—	—	—	—	—	—	Member of Purchasing Committee of NCC; Consultant of Chunghwa Telecom; Part-Time Lecturer of National Taiwan University; Certified Internal Auditor; Certified Public Accountant; Ph.D in Accounting, National Taiwan University.	Assistant Professor, Yuan Ze University; Independent Director of the Board, Highpoint Service Network Corporation; Independent Director of the Board, KIAN SHEN Corporation.	N/A	N/A	N/A
Independent Director	Taiwan	Sun, Elizabeth	Female / B	May 29, 2023	3 years	May 27, 2022	—	—	—	—	—	—	—	—	Senior Director, Corporate Communication Division & Deputy Spokesman of TSMC; Partner and CFO, InveStar Capital; GMr& Head of research, HSBC Securities in Taiwan; VP and GM-Taiwan, State Street Corporation; Associate Professor of Finance, San Jose State University; Ph.D in Financial, University of Cincinnati Carl H. Lindner College of Business	Honorary Chairperson, Taiwan Investor Relations Institute; Member of AGGA; Consultant, MediaTek Inc.	N/A	N/A	N/A
Independent Director	Taiwan	Yeh, Jui-Pin	Male / B	May 29, 2023	3 years	June 19, 2017	—	—	—	—	—	—	—	—	Business Manager of Hewlett-Packard Company, Chairman of Synopsys Taiwan Co., Ltd. Global Vice President of Synopsys Inc. Chairman of Kuan Hsin Venture Capital Co. CEO of Youngtek Electronics Corp. Master Degree in Electrical Engineering, National Central University	Director of the Board, Mytek Corp.; Independent Director of the Board, Progate Group Corporation	N/A	N/A	N/A
Independent Director	Taiwan	Liu, Frank	Male / B	May 29, 2023	3 years	Aug. 20, 2021	—	—	—	—	—	—	—	—	Independent Director of RITDISPLAY Corporation; Independent Director of PRIMAX ELECTRONICS Ltd.; Chairman of Lee Tah Farm Industries co., Ltd.; Chairman of Lydon Textile Co; Chairman of. China Enterprise Forum; Master Degree in Electrical Engineering and Computer Science, MIT; and Physics ,Purdue University.	Chairman of Chelmsford. International Ltd.; Director of the board of Taiwan Mergers & Acquisitions and Private Equity Council; Director of the board of Subic Bay Development and Management Co. Ltd	N/A	N/A	N/A

Note1: A→ under 60 years old; B→over 60 years old
Note2: The number of stock shares in this table is based on the insider shareholding report as of March, 2024.

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

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

B. Disclosure of Information Regarding the Professional Qualifications and Experience of Directors and the Independence of Independent Directors

Title / Name	Professional qualifications and experience	Independent status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman / Chen, Wen-Liang	Mr. Chen obtained a PhD in Applied Physics in Yale University. And he is also our Chief Operating Officer, and Chief Technology Officer of the Company. He was R&D department manager of Intel Corporation and has over 30 years of experience in the semiconductor industry.	No occurrence of the circumstances stated in Article 30 of the Company Law.	0
Hung, Chih-Hsun	Mr. Hung has obtained a PhD in industrial engineering and management from the National Yang Ming Chiao Tung University and serves as the President of the Company.		0
Director / Shanyi Investment Co., Ltd Representative: Liu, Chin-Hung	Mr. Liu has obtained a Master Degree in Applied Chemistry, National Yang Ming Chiao Tung University and serves as the Senior Vice President of our Operation Center and AI Business Unit of the Company.		0
Director / Li Shun Investment Co. Representative: Hsieh, Ming-Lin	Mr. Hsieh obtained a Master's Degree from the Graduate School of Business, National Taiwan University. He is the Vice President of Powerchip Semiconductor Manufacturing Corporation and servers as the director and supervisor of several listed on OTC, listed on TWSE and public companies.		1

Title / Name	Professional qualifications and experience	Independent status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent Director / Wang, Hsuan	Ms. Wang, a PhD Degree in Accounting from the National Taiwan University. She is the CPA of R.O.C. and an qualified international internal auditor. She is an assistant professor in the Department of Accounting and a member of the Internal Audit Committee of Yuan Ze University.	The following independence assessment criteria have been met in the two years prior to and during the period of taking office (1) Not an employee of the Company or any affiliates. (2) Not a director or supervisor of the Company or any affiliates. (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings. (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs. (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Law. (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. (7) If the chairman, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof.	2
Independent Director / Sun, Elizabeth	Ms. Sun obtained PhD in Financial from University of Cincinnati, was an associate Professor of Finance, San Jose State University. She also worked as a senior director and acting spokesman of Taiwan Semiconductor Manufacturing Corporation.		0
Independent Director / Yeh, Jui-Pin	Mr. Yeh obtained a Master's Degree in Electrical Engineering from National Central University. He previously served as the chief executive officer of YongTek Electronics Corporation and the chairman of Synopsys Taiwan. He specializes in business operations, marketing and strategic planning, and has an in-depth understanding of the semiconductor industry.		1
Independent Director / Liu, Frank	Mr. Liu is Master's Degree in Engineering and Computer Science, and He has served as chairman and president of several companies and has extensive experience in company operations and industry trends.		0

C. Diversity and independence of the Board of Directors:

The Board of Directors of the Company consists of 8 directors, of which 4 are independent directors and 3 directors as employee (50% and 37.5% of all directors). In addition, The Company is also mindful of gender equality in the composition of its Board of Directors, with 25% female directors.

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

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

April 15, 2024; Unit: Share

Job Title	Nationality	Name	Gender	Date of appointment to position	Shareholdings		Shares now held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Officers with a spouse or second degree of relationship		
					Shares	%	Shares	%	Shares	%			Job Title	Name	Relationship
CEO, and CTO	Taiwan	Chen, Wen-Liang	Male	Sep. 1, 2016	61,776	0.04%	—	—	—	—	Senior R&D Manager of Cypress Semiconductor Corporation, USA President, Cascade Semiconductor Corporation, USA Manager of R&D Department of Intel Corporation, USA Ph.D. in Applied Physics, Yale University, USA	Chairman of the Board, VIVR Corporation; Person in charge, VIVR Corporation Taiwan Branch; Chairman of the Board appointed by AP Memory Corporation, M3 Technology Inc; Director of the Board, Onecent Technology Ltd.; Director of the Board, Lyontek Inc.; Director of the Board, AI Memory Corporation; Supervisor of AP Memory Technology (Hangzhou) Co. Limited.	N/A	N/A	N/A
President	Taiwan	Hung, Chih-Hsun	Male	July 1, 2022	102,112	0.06%	—	—	—	—	Assistant Vice President Manager of R&D Engineering and Production Operation, Alcor Micro Corporation Senior Production and Operation Manager of Powerflash Technology Corporation Production and Operation Manager of eMemory Technology Inc. Ph.D. in Industrial Engineering and Management, National Yang Ming Chiao Tung University	Chairman of Board, CascadeTeq Inc.; Executive Director of Board, AP Memory Technology (Hangzhou) Co. Limited; Sole Director of Borad, AP Memory Technology (Hong Kong) Co. Limited.	N/A	N/A	N/A
Senior Vice President	Taiwan	Liu, Chin-Hung	Male	Aug. 19, 2019	407,791	0.25%	—	—	—	—	Chief Engineer, Cypress Semiconductor Corporation, USA Process Integration Engineer, United Microelectronics Corporation Master Degree in Applied Chemistry, National Yang Ming Chiao Tung University	N/A	N/A	N/A	N/A
CFO	Taiwan	Lin, Yu-Hsin	Female	July 1, 2022	286,140	0.18%	—	—	—	—	Financial Manager of Alcor Micro, Corporation Junior Manager of Yuanta Core Pacific Securities Co., Ltd. Auditor of Deloitte Touche Tohmatsu Limited Master Degree in Accounting, National Chengchi University	N/A	N/A	N/A	N/A
Vice President	Taiwan	Hsueh, Che-Yuan	Male	March 1, 2024	—	—	—	—	—	—	Sales Vice President of Winbond Electronics Corporation, USA; Marketing Director of Winbond Electronics Corporation; R&D Engineer of Duratek, Inc; Master Degree in Engineering and System Science, National Tsing Hua University	N/A	N/A	N/A	N/A

Job Title	Nationality	Name	Gender	Date of appointment to position	Shareholdings		Shares now held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Officers with a spouse or second degree of relationship		
					Shares	%	Shares	%	Shares	%			Job Title	Name	Relationship
Assistant Vice President	Taiwan	Liu, Tsung-Ning	Male	Aug. 1, 2021	676	—	—	—	—	—	Business Development Manager of Taiwan Semiconductor Manufacturing Company Product Marketing Manager of XAC Automation Company Hardware designer Engineer of Sun Microsystems Master Degree in Electrical Engineering, Stanford University	N/A	N/A	N/A	N/A
Assistant Vice President	Taiwan	Huang, Wei-Cheng	Male	April 1, 2022	2,733	—	—	—	—	—	New product development and validation manager of Winbond electronics corporation Sr. Quality Control Engineer of Taiwan Semiconductor Manufacturing Company Product validation engineer, Macronix International Co Bachelor in Electrical Engineering, Kao Yuan University	N/A	N/A	N/A	N/A
Accounting and Finance Supervisor	Taiwan	Hung, Mao-Chuan	Male	May 4, 2020	774	—	—	—	—	—	Deputy Manager of Deloitte Touche Tohmatsu Limited Master Degree in Accounting, National Taipei University	N/A	N/A	N/A	N/A
Corporate Governance Supervisor	Taiwan	Hong, Shu-Ling	Female	May 7, 2021	6,566	—	—	—	—	—	Deputy Manager of Rotam Global AgroSciences Limited Auditor of Ernst & Young Bachelor in Accounting, Soochow University	N/A	N/A	N/A	N/A

Note: The number of stock shares in this table is based on the insider shareholding report as of March, 2024.

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

Chairman of Board, Mr. Chen Wen-Liang also holds the CEO position of the Company. In order to enhance operational efficiency and decision-making execution, He frequently communities with the Directors of Board on the current status of the Company's operations and plans to implement corporate governance. The Board of Directors and the Company Managerial Officers fully respect the suggestions made by the independent Directors, and evaluate and implement them in daily operation and strategy execution. AP Memory have four Independent Directors, which meets the requirements of corporate governance.

3. Remuneration paid to the Directors, President, and Vice President in the most recent year

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

Fiscal year of 2023; Unit: In thousands of NTD; 1,000 shares; %

Job Title	Name	Remuneration to directors								Sum of A+B+C+D and ratio to net income		Remuneration received by directors for concurrent service as an employee								Sum of A+B+C+D+E+F+G and ratio to net income		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		Base Compensation (A)		Retirement pay and pension (B)		Director's Compensation (C) (Note 8)		Expenses and perquisites (D)				Salary, rewards, and special disbursement. (E)		Retirement pay and pension (F)		Employee profit-sharing compensation (G) (Note 8)						
		The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company		All consolidated entities		The Company	All consolidated entities	
																Amount in cash	Amount in stock	Amount in cash	Amount in stock			
Chairman	Chen, Wen-Liang	-	-	-	-	1,184	1,184	-	-	1,184 0.08%	1,184 0.08%	21,454	21,454	108	108	1,184	-	1,184	-	24,388 1.69%	24,388 1.69%	-
Director	Hung, Chih-Hsun (Note1)					458	458	-	-	458 0.03%	458 0.03%											
Director	Shanyi Investment Co., Ltd	-	-	-	-	1,579	1,579	-	-	1,579 0.11%	1,579 0.11%	-	-	-	-	-	-	-	-	1,579 0.11%	1,579 0.11%	
Director	Li Shun Investment Co.	-	-	-	-	1,579	1,579	-	-	1,579 0.11%	1,579 0.11%	-	-	-	-	-	-	-	-	1,579 0.11%	1,579 0.11%	
Representative of Director	Li Shun Investment Co. - Hsieh, Ming-Lin	-	-	-	-	-	-	48	48	48 -%	48 -%	-	-	-	-	-	-	-	-	48 -%	48 -%	-
Independent Director	Wang, Hsuan	1,482	1,482	-	-	-	-	96	96	1,578 0.11%	1,578 0.11%	-	-	-	-	-	-	-	-	1,578 0.11%	1,578 0.11%	-
Independent Director	Sun, Elizabeth	1,482	1,482	-	-	-	-	72	72	1,554 0.11%	1,554 0.11%	-	-	-	-	-	-	-	-	1,554 0.11%	1,554 0.11%	-
Independent Director	Yeh, Jui-Pin	1,647	1,647	-	-	-	-	96	96	1,743 0.12%	1,743 0.12%	-	-	-	-	-	-	-	-	1,743 0.12%	1,743 0.12%	-
Independent Director	Liu, Frank	1,482	1,482	-	-	-	-	96	96	1,578 0.11%	1,578 0.11%	-	-	-	-	-	-	-	-	1,578 0.11%	1,578 0.11%	-

1. Please describe the compensation policy, system, standard and structure of the independent director and describe the correlation with the amount of compensation according to the responsibilities, risks, time invested and other factors. Payment shall be made in accordance with the Company's "Compensation Policy for Directors and Functional Committee Members", and additional allowance shall be provided to the chairman of the functional committee, who shall also undertake convening, proceeding, communication and coordination with the company authorities, etc. Also providing meeting execution allowance except for concurrently serving as an employee of the Company. A monthly allowance of NT$4,000 is paid to a director who is only a director or is only a functional committee member, and an additional NT$2,000 is paid per month for each additional functional committee member.
2. Except disclosed in the table above, compensation received by a company director in the most recent year for services rendered to all companies listed in the financial statements (e.g., as a consultant, not an employee, etc.): N/A

Note1: Being elected upon the Director re-election on May 29, 2023

Note2: The estimated director's compensation and employee compensation in 2023 were approved to pay in cash by the resolution of the Board of Directors on March 1, 2024.

Remuneration Range Table

Ranges of remuneration paid to each of the Company's directors	Name of Director			
	Sum of A+B+C+D		Sum of A+B+C+D+E+F+G	
	The Company	All consolidated entities	The Company	All consolidated entities
Less than NT$1,000,000	Li Shun Investment Co. Representative: Hsieh, Ming-Lin (Note)	Li Shun Investment Co. Representative: Hsieh, Ming-Lin (Note)	Li Shun Investment Co. Representative: Hsieh, Ming-Lin (Note)	Li Shun Investment Co. Representative: Hsieh, Ming-Lin (Note)
NT$1,000,000(inclusive) ～ NT$2,000,000(exclusive)	Shanyi Investment Co., Ltd; Li Shun Investment Co; Chen, Wen-Liang; Hung, Chih-Hsun; Wang, Hsuan; Sun, Elizabeth; Yeh, Jui-Pin; Liu, Frank;	Shanyi Investment Co., Ltd; Li Shun Investment Co; Chen, Wen-Liang; Hung, Chih-Hsun; Wang, Hsuan; Sun, Elizabeth; Yeh, Jui-Pin; Liu, Frank;	Shanyi Investment Co., Ltd; Li Shun Investment Co; Wang, Hsuan; Sun, Elizabeth; Yeh, Jui-Pin; Liu, Frank;	Shanyi Investment Co., Ltd; Li Shun Investment Co; Wang, Hsuan; Sun, Elizabeth; Yeh, Jui-Pin; Liu, Frank;
NT$2,000,000(inclusive)～ NT$3,500,000(exclusive)	—	—	—	—
NT$3,500,00(inclusive)～ NT$5,000,000(exclusive)	—	—	—	—
NT$5,000,000(inclusive)～ NT$10,000,000(exclusive)	—	—	Hung, Chih-Hsun	Hung, Chih-Hsun
NT$10,000,000(inclusive)～ NT$15,000,000(exclusive)	—	—	Chen, Wen-Liang	Chen, Wen-Liang
NT$15,000,000(inclusive)～ NT$30,000,000(exclusive)	—	—	—	—
NT$30,000,000(inclusive)～ NT$50,000,000(exclusive)	—	—	—	—
NT$50,000,000(inclusive)～ NT$100,000,000(exclusive)	—	—	—	—
More than NT$100,000,000	—	—	—	—
Total	A total of 9	A total of 9	A total of 9	A total of 9

(Note):Meeting execution allowance paid to Mr. Hsieh, Ming-Li, Representative of Li Shun Investment Co.

(2) Remuneration of the President and Vice Presidents

Fiscal year of 2023; Unit: In thousands of NTD; 1,000 shares; %

Job Title	Name	Salary (A)		Pension (B)		Rewards and special disbursements (C)		Employee profit-sharing compensation (D) (Note 2)				Sum of A+B+C+D and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The Company	All Companies listed in the Financial Statements	The Company	All Companies listed in the Financial Statements	The Company	All Companies listed in the Financial Statements	The Company		All Companies listed in the Financial Statements		The Company	All Companies listed in the Financial Statements	
								Cash Amount	Amount of Stock	Cash Amount	Amount of Stock			
CEO and CTO	Chen, Wen-Liang	9,748	9,748	324	324	24,573	24,573	2,045	-	2,045	-	36,690 2.54%	36,690 2.54%	-
President	Hung, Chih-Hsun													
Senior Vice President	Liu, Chin-Hung													
CFO	Lin, Yu-Hsin													

Note: The estimated employee compensation in 2022was approved to pay in cash by the resolution of the Board of Directors on March 1, 2024.

Remuneration Range Table

Remuneration Range to each President and Vice President of the Company	Name of President and Vice President	
	The Company	All consolidated entities
Less than NT$1,000,000	—	—
NT$1,000,000(inclusive) ~ NT$2,000,000(exclusive)	—	—
NT$2,000,000(inclusive) ~ NT$3,500,000(exclusive)	—	—
NT$3,500,00(inclusive) ~ NT$5,000,000(exclusive)	—	—
NT$5,000,000(inclusive) ~ NT$10,000,000(exclusive)	Hung, Chih-Hsun、Liu, Chin-Hung, Lin, Yu-Hsin	Hung, Chih-Hsun、Liu, Chin-Hung, Lin, Yu-Hsin
NT$10,000,000(inclusive) ~ NT$15,000,000(exclusive)	Chen, Wen-Liang	Chen, Wen-Liang
NT$15,000,000(inclusive) ~ NT$30,000,000(exclusive)	—	—
NT$30,000,000(inclusive) ~ NT$50,000,000(exclusive)	—	—
NT$50,000,000(inclusive) ~ NT$100,000,000(exclusive)	—	—
More than NT$100,000,000	—	—
Total	A total of 4	A total of 4

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

Fiscal year of 2023; Unit: In thousands of NTD

Job Title	Name	Amount in Stock	Amount in Cash	Total	As a % of net profit
CEO and CTO	Chen, Wen-Liang	-	3,518	3,518	0.24%
President	Hung, Chih-Hsun				
Senior Vice President	Liu, Chin-Hung				
CFO	Lin, Yu-Hsin				
Assistant Vice President	Liu, Tsung-Ning				
Assistant Vice President	Huang, Wei-Cheng(				
Accounting and Finance Supervisor	Hung, Mao-Chuan				
Corporate Governance Supervisor	Hong, Shu-Ling				

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

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

Title	Proportion of the total compensation in net profit after tax in 2022(%)		Proportion of the total compensation in net profit after tax in 2023(%)	
	The Company	All Companies listed in the Financial Statements	The Company	All Companies listed in the Financial Statements
Directors	1.76%	1.76%	2.36%	2.36%
President and Vice Presidents	1.87%	1.87%	2.54%	2.54%

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

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

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

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

4. Operation of Corporate Governance

(1) Operation of the Board of Directors

A. In the most recent year (2023), the Board of Directors held 8 meetings (A). The attendance of directors is as follows:

Title	Name	Number of Actual Attendance (B)	Number of Entrusted Attendance	Actual Attendance Ratio (%) 【B / A】 (Note)	Note
Chairman	Chen, Wen-Liang	8	0	100.00	
Director	Hung, Chih-Hsun	5	0	100.00	Took office on May 29, 2023
Director	Shanyi Investment Co., Ltd Representative: Hung, Chih-Hsun	3	0	100.00	Reassignment the representative on May 29,2023
Director	Shanyi Investment Co., Ltd Representative: Liu, Chin-Hung	5	0	100.00	Reassignment the representative on May 29,2023
Director	Li Shun Investment Co. Representative: Hsieh, Ming-Lin	8	0	100.00	
Independent Director	Wang, Hsuan	8	0	100.00	
Independent Director	Sun, Elizabeth	8	0	100.00	
Independent Director	Yeh, Jui-Pin	8	0	100.00	
Independent Director	Liu, Frank	7	1	87.50	
Note : Actual Attendance Rate (%) is calculated based on the number of board meetings and actual attendance during his/her tenure.					

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

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

Meeting Date (2023)	Meeting		Contents of Proposal	All opinions of Independent Directors and the Company's handling of the opinions of Independent Directors
02.24	4th Term	27th Meeting	The distribution of the Company's 2022 employees bonus and directors compensation.	All independent directors agreed and had no opinions.
			Amendment of "Internal Control System", and the "Internal Audit Implementation Rules"	
04.07	4th Term	28th Meeting	Lifting the prohibition on the Directors and their representatives from participating in the competitive business	
04.28	4th Term	29th Meeting	The allocation of the Company's 2022 directors compensation.	
			2022 Performance Evaluation and 2023 Salary Adjustment for President and CEO	

Meeting Date (2023)	Meeting		Contents of Proposal	All opinions of Independent Directors and the Company's handling of the opinions of Independent Directors
			The list of employee stock options per the Company's "The Employee Stock Option Issuance and Share Subscription Plan of 2022."	
05.29	5th Term	1st Meeting	Amendment of "Compensation Policy for Directors and Functional Committee Members"	
			The newly Independent Directors' compensation	
10.27	5th Term	3rd Meeting	To issue the Company's 2023 Employee Stock Options	
11.13	5th Term	4th Meeting	Acquired the portion of shares of M3 Technology Inc (6799.TW)	
12.22	5th Term	5th Meeting	Appointment of the certified public accountant of the Company and relevant audit fee of 2024	
			Approval of the 2024 compensation plan for the CEO and President.	
			The list of employee stock options per the Company's "The Employee Stock Option Issuance and Share Subscription Plan of 2022." and " The Employee Stock Option Issuance and Share Subscription Plan of 2023."	

(ii) Any other matter decided by the Board of Directors for which any Independent Directors has a dissenting or qualified opinion which is on record or stated in a written statement: N/A

(iii) Execution of directors' withdrawal from discussion of any proposal, in which the director is an interested party, to avoid conflicts of interest

Meeting Date (2023)	Meeting		Contents of Proposal	Reason for avoidance of conflicts	Resolution
04.28	4th Term	29th Meeting	2022 Performance Evaluation and 2023 Salary Adjustment for President and CEO	The discussion of this proposal was related to the Director Chen, Wen-Liang and Hung, Chih-Hsun.	Except for the directors who were withdrawn from discussion to avoid conflicts of interest, the other directors present passed the resolution without objection.
05.29	5th Term	1st Meeting	The newly Independent Directors' compensation	he discussion of this proposal was related to the newly Independent Directors	
12.22	5th Term	5th Meeting	Approval of the 2024 compensation plan for the CEO and President.	The discussion of this proposal was related to the Director Chen, Wen-Liang and Hung, Chih-Hsun.	
			The list of employee stock options per the Company's "The Employee Stock Option Issuance and Share Subscription Plan of 2022." and " The Employee Stock Option Issuance and Share Subscription Plan of 2023."	The discussion of this proposal was related to the Director Chen, Wen-Liang, Hung, Chih-Hsun and Liu, Chin-Hung	

(iv) Implementation of Evaluation of the Board of Directors

The Company has stipulated the "Self-Evaluation or Peer Evaluation of the Board of Directors" in accordance with Article 37 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and completed the evaluations of the Board and functional committee in the 1st quarter of 2024.

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Method of Evaluation	Contents of Evaluation
Once per year	Evaluate the performance of the Board and functional committee as of January 1, 2023 to December 31, 2023	Evaluate the performance of the Board of Directors, individual directors, and functional committee	1. The members of the Board of Directors evaluate the overall performance of the Board of Directors. 2. Individual board members conduct self-performance evaluations. 3. The members of the audit committee evaluate the overall performance of the committee. 4. The members of the Compensation Committee evaluate the overall performance of the committee.	1. Performance evaluation of the Board of Directors and individual directors: Taking into account the evaluation indicators formulated by the competent authority, which can be adjusted in consideration of the actual situation of the Company. The evaluation contents include the degree of participation in the operation of the Company, the improvement of the quality of the Board decisions, the composition and structure of the Board of Directors, the selection and continuation of the directors, internal control and other aspects. 2. Overall performance evaluation of the audit committee: Taking into account the evaluation indicators formulated by the competent authority, the degree of participation in the operation of the Company, the perception of the responsibilities of the audit committee, the decision quality of the audit committee, the composition and selection of the audit committee, and the internal control, etc. The results shall be reported to the Board. 3. Overall performance evaluation of the Compensation Committee: Taking into account the evaluation indicators formulated by the competent authority, the degree of participation in the operation of the Company, the perception of the responsibilities of the Compensation Committee, the improvement of decision quality of the Compensation Committee, and the composition and selection of the Compensation Committee, etc. The results shall be reported to the Board.

Reported the result to the Board of Directors on March 1, 2024

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

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

b. To reinforce the function of the Board of Directors, half of the members of the Board of Directors of the Company are independent directors. In addition, according to the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies", the Company formulated the "Rules of Procedure of the Board of Directors" to be followed. The Company provides information on the attendance of directors of the Board of Directors at the Market Observation Post System.

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

d. Strengthening corporate governance: The "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", and "Corporate Governance Best Practice Principles" were adopted by the Board of Directors on December 22, 2014. Continue to update and revise the provisions in accordance with laws and regulations and the Company's practical operations. In addition, the Board of Directors approved to appoint of the company's corporate governance supervisor on May 7, 2021.

e. The company has purchased liability insurance for all directors and provides related information at the Market Observation Post System.

(2) Operation of the audit committee or involvement of the Supervisors in the operation of the Board of Directors:

The Audit Committee is to assist the Board in fulfilling its role in overseeing the quality and integrity of the Company's performance of accounting, auditing, financial reporting processes and financial controls.

A. 2023 Audit Committee Work Highlights

The Audit Committee has reviewed the financial statements of the Company, the financial statements and the appropriation of earnings for the year ended December 31, 2023, and has appointed Deloitte & Touche to audit the financial statements and to issue an independent report. The policies and procedures of the Company's internal control system (including controls over sales, procurement, outsourcing, personnel, finance, information security, and compliance with laws and regulations), and supervised the operation of the Company's internal audit unit and reviewed the results of the internal control self-assessment. The Audit Committee considers that the Company's internal control system is effective.

B. In the most recent year (2023), the audit committee held 7 meetings (A). The attendance of the Independent Directors is as follows:

Title	Name	Number of Actual Attendance (B)	Number of Entrusted Attendance	Actual Attendance Ratio (%) 【B / A】(Note)	Note
Convener	Yeh, Jui-Pin	7	0	100.00%	
Member	Wang, Hsuan	7	0	100.00%	
Member	Sun, Elizabeth	7	0	100.00%	
Member	Liu, Frank	6	1	85.71%	
Note: Actual Attendance Rate (%) is calculated based on the number of meetings of the audit committee and actual attendance during his/her tenure.					

C. If the operation of the audit committee falls under any of the following circumstances, it shall state the date and term of the board meeting, the content of the proposals, the result of the resolutions of the audit committee and the Company's handling of the opinions of the audit committee.

(i) The matters listed in Article 14-5 of the Securities and Exchange Act and other matters not approved by the audit committee but agreed by more than two-thirds of all the directors:

a. The matters listed in Article 14-5 of the Securities and Exchange Act:

Meeting Term	Meeting Date(2023)	Contents of Proposal	Resolution
2^{nd} Term 17^{th} Meeting of the Audit Committee	02.27	■ The 2022 "Statement of Internal Control System" ■ Amendment of "Internal Control System", and the "Internal Audit Implementation Rules" ■ 2022 annual individual and consolidated financial statements and business report of the Company	All independent directors agreed and had no opinions.
2^{nd} Term 19^{th} Meeting of the Audit Committee	04.28	■ 2023 1^{st} quarter consolidated financial statements.	
3^{rd} Term 1^{st} Meeting of the Audit Committee	07.28	■ 2023 2^{nd} quarter consolidated financial statements	
3^{rd} Term 2^{nd} Meeting of the Audit Committee	10.27	■ 2023 3^{rd} quarter consolidated financial statements	
3^{rd} Term 3^{rd} Meeting of the Audit Committee	11.13	■ Acquired the portion of shares of M3 Technology Inc (6799.TW)	
3^{rd} Term 4^{th} Meeting of the Audit Committee	12.22	■ Appointment of the certified public accountant of the Company and relevant audit fee of 2024.	

b. The other matters not approved by the audit committee but agreed by more than two-thirds of all the directors: N/A

(ii) Execution of the independent directors' withdrawal from discussion of any proposal, in which the independent director is an interested party, to avoid conflicts of interest: N/A

D. Communication between the Independent Directors and the internal audit supervisor and accountant:

(i). The internal audit officer presents the internal audit reports to the audit committee at the general meetings of the audit committee. and discussed the auditing findings and correct actions as well. Additional, both parties also arrange individual interview on internal control risks, the formulation of audit items, and the related improvement proposals in response to the findings of the audit, etc.

(ii). The certified public accountant reports the results of audits or reviews of the quarterly financial statements at the quarterly meetings of the audit committee. The certified public accountant also has individual meeting with the Committee to discuss the key audit issues of the financial statements, the scope and method of the audit, and the new laws and regulations.

Meeting Date (2023)	Meeting with Internal Audit officer	Meetings with Certificated Public Accountant
02.24 (2nd Term 17th Meeting)	■ The result of internal control assessment. ■ The 2022 "Statement of Internal Control System ■ Implementation of 2023 Annual Audit Plan and Follow-up of improvement actions taken against deficiencies.	■ 2022 annual financial reports
04.28 (2nd Term 19th Meeting)	■ Implementation of 2023 Annual Audit Plan and Follow-up of improvement actions taken against deficiencies.	■ The 1st quarterly financial report.
07.28 (3rd Term 1st Meeting)	■ Implementation of 2023 Annual Audit Plan and Follow-up of improvement actions taken against deficiencies.	■ The 2nd quarterly financial report.
10.25		■ The risk assessment and the key audit issues of financial report auditing. ■ The scope and method of the audit. ■ The qualifications, performance and independence of Certificated Public Accountant. ■ new laws and regulations.
10.27 (3rd Term 2nd Meeting)	■ Implementation of 2023 Annual Audit Plan and Follow-up of improvement actions taken against deficiencies.	■ The 3rd quarterly financial report.
12.08	■ Audit Plan Risk Assessment ■ Preventive Internal Control Practice Recommendations ■ Drafting 2024 Internal Audit Plan	
12.22 (3rd Term 4th Meeting)	■ Implementation of 2023 Annual Audit Plan and Follow-up of improvement actions taken against deficiencies. ■ 2024 Audit Plan	

(3) Implementation Status of Corporate Governance and its Difference with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the Reasons

Evaluation Items	Implementation Status			Difference with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the Reasons
	Yes	No	Summary Descriptions	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	✓		The Company's "Corporate Governance Best Practice Principles" has been adopted by the Board of Directors.	No significant difference
2. Shareholding Structure & Shareholders' Rights (1) Does the company have internal operation procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	✓		(1) The Company has designated a spokesperson, deputy spokesperson and stock affair specialist, also has established the "Procedures for the shareholders' meetings" to handle shareholder suggestions, disputes, or litigation matters.	No significant difference
(2) Does the company know the identity of its major shareholders and the parties with ultimate control of the major shareholders?	✓		(2) According to Article 25 of the Securities and Exchange Act, the Company discloses the changes in the stocks rights held by the insiders at the Market Observation Post System monthly, so as to understand the changes in the stock rights of the Company's major shareholders and the list of the ultimate controllers of the major shareholders.	
(3) Has the company built and implemented a risk management system and a firewall between the company and its affiliates?	✓		(3) The Company has established relevant management procedures and operating systems through the "Rules Governing Financial and Business Matters Between the Company and its Affiliated Enterprises", internal control and internal audit systems, etc., to conduct effective risk control.	
(4) Has the company established internal rules prohibiting insider trading of securities based on undisclosed information?	✓		(4) The Company has formulated the "Management Procedures for Preventing Insider Trading" and "Code of Ethical Conduct", which have been adopted and implemented by the Board of Directors.	
3. Composition and Responsibilities of the Board of Directors (1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?	✓		(1) Per the Company's "Corporate Governance Practice Principles", the composition of the Board of Directors shall be diversified, it shall include, but not limited to, the following two major criteria: 1.Basic qualifications and values: gender, age, nationality and culture, etc., which also includes the proportion of directors of a single gender. 2.Professional knowledge and skills: professional backgrounds (such as law, accounting, industry, finance, marketing or technology, professional skills and industry experience, etc.), professional knowledge, skills, experience, skills and background, and industry experience. In accordance with the aforementioned policy, among the eight current directors, there are two female directors on the Board of Directors, and the ratio of male to female seats is 75% and 25% respectively, which is above the standard announced by the FSC. The percentage of directors under the age of 60 is 62.5%, and none of the independent directors has served for more than 3 terms. In terms of professional knowledge and skills, the directors of the Company possess operational judgment, business management, industry knowledge, leadership, and decision-making skills, and three directors are specialized in financial accounting.	No significant difference
(2) Has the company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?		✓	(2) The Company is planning to establish other functional committees, such as a "Risk Management Committee" or a "Sustainability Management Committee," depending on the size of the Company and the complexity of the organizational structure.	
(3) Has the company established rules and methodology for P. 30 of 94 evaluating the performance of its Board of Directors, implemented the performance evaluations on	✓		(3) The Company has stipulated the "Self-Evaluation or Peer Evaluation of the Board of Directors" and implemented it in the 1st quarter of each year. The self- evaluation result has report to the Board of Directors at March 1, 2024.	

<table>
<tr><th rowspan="2">Evaluation Items</th><th colspan="3">Implementation Status</th><th rowspan="2">Difference with the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and the Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Descriptions</th></tr>
<tr><td>an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?
(4) Does the Company regularly evaluate its external auditors’ independence?</td><td>✓</td><td></td><td>(4) When the Company appoints its annual external auditors, it will evaluate their independence and obtain the independence statement issued by the external auditors. (Please refer to Table 2 for the assessment of the independence) After the evaluation, the company's external auditors meets the independence assessment standards and fully capable of serving as the company's external auditors. The Company reported it to the audit committee and the Board of Directors for their consideration and obtained approval of appointment on Dec.22, 2023.</td><td></td></tr>
<tr><td>4. Does the listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?</td><td>✓</td><td></td><td>The Board of Directors appointed Ms. Hong, Shu-Ling as the Corporate Governance officer to assist in handling information necessary for the directors to perform their duties, assisting the directors in complying with laws and regulations, conducting board and shareholders' meeting related matters in accordance with the law, and preparing minutes of board and shareholders' meetings, etc.. The details of the advanced training for corporate governance supervisors in 2022 are as follows:
<table>
<tr><th>Training Date in 2023</th><th>Course Organizer</th><th>Training Course</th><th>Training hours</th></tr>
<tr><td>08.30</td><td>Accounting Research and Development Foundation</td><td>Risk Management for Sustainable Business Development</td><td>6.0</td></tr>
<tr><td>11.24</td><td>Taiwan Corporate Governance Association</td><td>Corporate Governance Practices</td><td>3.0</td></tr>
<tr><td>12.21</td><td>Securities & Futures Institute</td><td>How to Enhance the Credibility of Corporate Sustainability Reports</td><td>3.0</td></tr>
</table></td><td>No significant difference</td></tr>
<tr><td>5. Has the company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders’ questions and concerns on important corporate social responsibility issues?</td><td>✓</td><td></td><td>The Company has a spokesperson and a proxy spokesperson, and has set up an investor section and a stakeholder engagement section on the Company's website, which contain contact information to facilitate communication with stakeholders.</td><td>No significant difference</td></tr>
<tr><td>6. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?</td><td>✓</td><td></td><td>The Company has appointed KGI Securities Co., Ltd. for handing the affairs of shareholders’ meetings.</td><td>No significant difference</td></tr>
<tr><td>7. Information Disclosure
(1) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status?
(2) Does the Company use other information disclosure</td><td>✓

✓</td><td></td><td>(1) The Company discloses its financial, business and corporate governance status at any time on its website at www.apmemory.com.
(2) The Company has designated the Finance and Accounting Center (Contact No.:</td><td>No significant difference</td></tr>
</table>

Evaluation Items	Implementation Status			Difference with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the Reasons
	Yes	No	Summary Descriptions	
channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference, etc.)? (3) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?		✓	03-560-1651; Email: ir@apmemory.com) to handle the collection and disclosure of information. The Company has established a spokesman system (Spokesman: Lin, Yu-Hsin; Deputy Spokesman: Hung, Chich-Hsun). The relevant information of investors conference has also been uploaded on the Company's website. (3) The company announces the major financial data of the annual financial report through the MOPS within two months after the end of the year, and provides real-time information to shareholders, interested parties, etc. Announce and declare the first, second and third quarter financial reports and the operating conditions of each month before the prescribed deadline.	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	✓		(1) The Company has established the "Corporate Social Responsibility Practice Principles" and implements corporate governance, develops a sustainable environment, safeguards social welfare, and strengthens corporate social responsibility information disclosure. (2) The Company discloses information related to its financial, business, and corporate governance on its website at www.apmemory.com, providing open and transparent information for general staff, investors, suppliers, and stakeholders. (3) The Directors of the Company are professionals in their respective fields, and the Company, from time to time, provides the Directors with relevant regulatory information that they need to be aware of. In addition, the management team of the Company also gives regular business and other relevant briefings to the Directors. For the Directors' training records, please refer to Table 1 and visit the MOPS of the Company for further information. (4) The Company has established and effectively implemented a comprehensive internal control system in accordance with relevant laws and regulations, and it has also conducted proper risk evaluations for major correspondent banks, customers, and suppliers to reduce credit risks. (5) The Director of the Company withdrew him/herself from discussion/voting of any proposal, in which the Director is an interested party, to avoid conflicts of interest. (6) The Company maintains D&O Insurance for its directors and officers.	No significant difference

Evaluation Items	Implementation Status			Difference with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the Reasons
	Yes	No	Summary Descriptions	

9. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement.

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

A. Improving the Company's website to provide Chinese and English pages for general staff, investors, suppliers, and stakeholders.

B. The new section on ESG and stakeholders engagement have been added to improve the Company's website, providing both English and Chinese pages for stakeholders to access relevant information.

Table 1: Directors' Training Records in 2023

Title	Name	Training Date	Training Course	Training Hours	Course Organizer
Director	Chen, Wen-Liang	11.15	2023 Annual Insider Trading Compliance Seminar	3.0	Financial Supervisory Commission Securities & Futures Institute
		11.18	New Developments in International Sustainability Disclosure Standards	3.0	Accounting Research and Development Foundation
Director	Hung, Chih-Hsun	04.13	Corporate Governance Seminar - Corporate Sustainability and Domestic and International Taxation Trends	3.0	Taiwan Academy of Banking and Finance
		09.26	Risks and Management of Business Secrets in Digital Transformation	3.0	Taiwan Corporate Governance Association
Director	Shanyi Investment Co., Ltd Representative: Liu, Chin-Hung	09.08	Employee Compensation Plans and Equity Transmission	3.0	Taiwan Corporate Governance Association
		10.18	Post-Epidemic, Talent Sustainability Challenges	3.0	Financial Supervisory Commission Securities & Futures Institute
Director	Li Shun Investment Co. Representative: Hsieh, Ming-Lin	04.13	Corporate Governance Seminar - Corporate Sustainability and Domestic and International Taxation Trends	3.0	Taiwan Academy of Banking and Finance
		06.08	2023 Annual Insider Trading Prevention Seminar	3.0	Financial Supervisory Commission Securities & Futures Institute
Independent Director	Wang Hsuan	07.04	Cathay Pacific Sustainable Finance and Climate Change Summit	3.0	Taiwan Stock Exchange Corporation
		08.10	Enhancement of corporate sustainability value and improvement of risk management system	3.0	The Institute of Internal Auditors-Chinses
Independent Director	Sun, Elizabeth	09.28	Opportunities and Challenges of Taiwan's Industrial Transformation under Geopolitics - PMI / NMI Exclusive Analysis	3.0	Financial Supervisory Commission Securities & Futures Institute
		10.17	How Independent Directors Can Combine Business Judgment and Duty of Fidelity	3.0	Taiwan Corporate Governance Association
Independent Director	Yeh, Jui-Pin	07.04	Cathay Pacific Sustainable Finance and Climate Change Summit	3.0	Taiwan Stock Exchange Corporation
		08.08	How the Boards can monitor ESG risks and build corporate sustainability competitiveness	3.0	Taiwan Corporate Governance Association
Independent Director	Liu, Frank	10.20	2023 Annual Insider Trading Prevention Seminar	3.0	Financial Supervisory Commission Securities & Futures Institute
		11.13	Litigation and Beyond - How to Write a Good Dispute Resolution Clause in a Contract r	3.0	Taiwan Corporate Governance Association

Evaluation Items	Implementation Status			Difference with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the Reasons
	Yes	No	Summary Descriptions	

Table 2: Evaluation Form for the Independence, Professionalism and Competence of Certified Public Accountants

Item	Result	
1. As of the most recent attestation operation, there are no situations for a term of seven years without replacement.	■ Yes	□No
2. Having no material financial interest with the principal	■ Yes	□No
3. Having avoided any inappropriate relationship with the principal.	■Yes	□No
4. Accountants should ensure the integrity, impartiality and independence of their associates.	■Yes	□No
5. It is not allowed to audit and attest the financial statements of the organization which the CPA has worked for two years prior to practicing.	■Yes	□No
6. The name of the accountant shall not be used by others.	■Yes	□No
7. Having no shareholding in the Company and its affiliates	■Yes	□No
8. Having no borrowing nor lending with the Company or its affiliates, except for normal transactions of the financial industry.	■Yes	□No
9. There is no joint investment or benefit-sharing relationship with the Company or its affiliates.	■Yes	□No
10. Not concurrently serving in the regular work for the Company or its affiliates to receive a fixed salary.	■Yes	□No
11. Having not involved in the management function of making decisions in the Company or its affiliates.	■Yes	□No
12. Having not concurrently engaged in any other business that may lose the independence.	■Yes	□No
13. It is not allowed to engage in attestation by those who have a relationship of spouse, lineal blood relatives, lineal affinity, or the second degree of collateral relatives with the Company's management personnel	■Yes	□No
14. Having not received any commission in connection with the business.	■Yes	□No
15. Having not received any disciplinary or compromised the principle of independence.	■Yes	□No

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

A. Information of the members of the 4th Compensation Committee of the Company

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

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

C. Operation of the Compensation Committee

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

(ii) Term of this Compensation Committee: From May 29, 2023 to May 28, 2026. In the most recent year, the Compensation Committee held 4 meetings (A). The qualifications and attendance of the member are as follows:

Title	Name	Number of Actual Attendance (B)	Number of Entrusted Attendance	Actual Attendance Ratio (%) 【B / A】 (Note 1)	Note
Convener	Yeh, Jui-Pin	4	0	100.00%	
Member	Wang, Hsuan	4	0	100.00%	
Member	Liu, Frank	4	0	100.00%	
Member	Lan, Ching-Yao	4	0	100.00%	
Note: Actual Attendance Rate (%) is calculated based on the number of meetings of the audit committee and actual attendance during his/her tenure.					

(iii) The discussions and resolutions of the Compensation Committee during 2023:

Meeting date	Discussion	Resolution
04.12	CEO 2022 Performance Evaluation	It is agreed by all members present and approved by the Board of Directors by resolution
	Promotion and salary adjustment of the Managerial Officers.	
	The list of employee stock options of Managerial Officers	
	The allocation of the Company's 2022 directors compensation.	
05.26	Amendment of " Board and functional committee compensation Regulations"	It is agreed by all members present and approved by the Board of Directors by resolution
	The newly Independent Directors' compensation	
12.13	Amendment of "Operating Bonus, performance bonus and incentive bonus Procedures "Board and functional committee Regulations"	It is agreed by all members present and approved by the Board of Directors by resolution
	The compensation of the newly appointed Managerial Officers	
	The list of employee stock options of Managerial Officers	
	The 2023 compensation plan for CEO and President	

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

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

(5) Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons

Evaluation Items	Implementation Status			Difference with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and the Reasons
	Yes	No	Summary Descriptions	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?		✓	The Company does not yet have a dedicated department (exclusively/concurrently) to promote sustainable , but will be established in accordance with the statutory timetable.	The detailed timeline is being planned and will be set up after it has been presented to and approved by the Board of Directors.
2. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? (Note 2)	✓		The Company has established the "Risk Management Policy" and modified per the current regulations, which has been approved by the audit committee and the Board of Directors. In addition to keeping track of possible internal and external risks, the Company will regularly stimulate the response measures and results when risks occur. (1) The risk assessment boundary is primarily based on our company and includes our subsidiary, AP Memory Technology (Hangzhou) Co. Limited., based on the importance of its core business and the degree of impact on significant topics. (2) We not only establish management strategies for significant corporate governance issues, but including socio-economic and legal compliance, strengthening of directors' functions, stakeholder communication, and identifying the risk assessment standards, processes, results, and risk management policies or strategies for environmental, social, and related significant issues through the ESG report.	No significant difference
3. Environmental Issues				No significant difference
(1) Has the Company set an environmental management system designed to industry characteristics?	✓		(1) The Company is an IC design industry and has no factory, so it has little impact on the environment. The Company has established an appropriate environmental management system in the ISO quality manual.	
(2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	✓		(2) Our products are designed based on the principles of low public consumption and high efficiency, and we have assisted our customers in improving the energy efficiency of their electronic products. Internally, we continue to promote electronic process checking to reduce the amount of paper used in documents, and our employees also take the initiative to turn off lights, reduce the use of dishwashing utensils, and implement garbage classification in order to do their part for the environment.	
(3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	✓		(3) We will complete a preliminary assessment of climate change risks and began planning for measures to address them in the first half of 2024.	

Evaluation Items	Implementation Status			Difference with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and the Reasons
	Yes	No	Summary Descriptions	
(4) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?		✓	(4) The Company has released the results of the greenhouse gas emission inventory in the 2022 annual ESG report, and the results of the 2023 year are expected to be released by the end of June of 2024. Conducted education and publicity on resource conservation for all employees within the company and conducted inspections to effectively avoid unnecessary waste of resources (including but not limited to oil, water, paper, and electricity).	
4. Social Issues (1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions? (2) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation? (3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees? (4) Has the Company established effective career development training programs for employees?	✓ ✓ ✓ ✓		(1) We are committed to creating a dignified working environment and protecting the human rights of the people working in the Company. In addition, the Company recognizes and voluntarily complies with internationally recognized human rights standards such as the United Nations Universal Declaration of Human Rights, the United Nations Global Compact, the United Nations Guiding Principles on Business and Human Rights, and the United Nations International Labor Organization, etc., in order to formulate internal personnel management rules and regulations and conduct regular reviews to assess potential impacts and formulate countermeasures. (2) The Company has the remuneration policy, which can combine the corporate business performance, the employee performance evaluation and establishing a clear and effective reward and punishment system. (3) The Company maintains the health and safety of its employees and pursues a zero-disaster workplace. Regular fire escape drills are implemented to familiarize all employees with the company's evacuation routes, assembly locations, and personnel counts, to continue to strengthen the emergency response capabilities of our employees and to ensure their safety. From time to time, we check the equipment in offices, public areas, conference rooms, laboratories, etc. to ensure a safe working environment. We also employ resident doctors and nurse practitioners to provide professional counseling to our employees. There were no occupational disasters or fires in 2023. (4) The company has a dedicated education and training program, as well as an internal education and training organization. Each year, an annual training plan is developed based on the company's strategic focus and the needs of each department, and courses are implemented according to this plan. The courses offered includes management courses, various professional courses, general education courses, and compliance courses, among others. The courses are delivered by external and internal instructors, as well as through external training institutions. The aim is to provide employees with various types of	No significant difference

Evaluation Items	Implementation Status			Difference with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and the Reasons
	Yes	No	Summary Descriptions	
(5) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies? (6) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	✓ ✓		training, to strengthen and expand their skills, and to assist with their career development, thereby enhancing the company's overall strength. (5) The Company's products and services are marketed and labeled in accordance with relevant regulations and international standards. In addition, the Company's products are not sold to the general consumer. The Company's general customers or other stakeholders can make report through the contact information listed on the Company's website. For the relevant reports, the Company will ask the relevant department to investigate and handle them properly. (6) The Company's contracts with its main suppliers incorporate the spirit of corporate social responsibility and assess suppliers' performance periodically.	
5. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?	✓		Our ESG report is in accordance with the GRI and SASB. The 2023 annual ESG Report is expected to be released and posted on the Company's website by the end of June 2024, and the report verification will be arranged in accordance with the statutory schedule.	No significant difference
6. If the Company has adopted its own sustainable development best practice principles based on the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies", please describe any deviation from the principles in the Company's operations: None.				
7. Other important information to facilitate better understanding of the company's promotion of sustainable development: (1) To fulfill its social responsibility, the Company, together with TSMC and other companies, established the "Dr. TP, Ma Future Innovation Leadership Scholarship" in the name of Dr. Ma at the Department of Electrical Engineering of National Taiwan University to encourage future generations to be innovative and lead the world in technological progress, and to continue the spirit of technological research and innovation practiced by Dr. Ma. (2) The sponsorship of Department of Special Education, National Tsing Hua University "Scholarships for Special Education Students and the Matching Services for the Physically and Mentally Handicapped Program" not only enables special education students to integrate theory and practice, and to be a special education workers, but also encourages physically and mentally handicapped students to fully develop their potentials and to have the conditions for living a life of dignity. (3) In order to encourage childbearing, the company offers maternity subsidy. In addition, the company offers maternity leave better than legal requirements for advanced maternal age employees. (4) The company also offers well-facilitated breastfeeding room for female employees. (5) The company establishes multiple communication channels, like "say no to sexual harassment" or "speak up" email for employees to voice their feedback and respond to employee expectations and suggestions.				

(6) Climate-related information for TWSE/TPEx Listed Companies

A. Implementation of climate related information

<table>
<tr><th>Items</th><th>Implementation status</th></tr>
<tr><td>1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.</td><td>Since 2024, the Company has been focusing on issues related to climate changes and promoting the management of risks and opportunities. The Company has set up a Risk Management Working Group, which is responsible for coordinating the identification and assessment of risks and opportunities related to climate change, and will report to the Board of Directors periodically.</td></tr>
<tr><td>2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).</td><td>2024 Climate Related Risks and Opportunities Assessment, with feedback from 12 departments, identified 9 risk factors and 5 possible opportunities that could have an impact in the short, medium and long term; 3 significant risks and 3 types of possible opportunities were identified following internal and external discussions and confirmation with the Climate Risk Management Group.
<table>
<tr><th>Significant Risks</th><th>Impact Object</th><th>Potential financial impact</th><th>Notes</th></tr>
<tr><td>Short-term Physical Risk : Increased severity and frequency of extreme weather events</td><td>Vendors</td><td>Decrease in revenue due to decrease in production capacity</td><td>In the event of extreme weather conditions that result in water and electricity restrictions at the operating sites, the operating will be affected; transportation may also be affected, resulting in delays in delivery; and outsourced production plants may suffer financial losses due to flooding caused by heavy rains or may be forced to interrupt their operations, affecting the supply chain to the Company.</td></tr>
<tr><td>Short-term Physical Risk : Drought, water shortage</td><td>Vendors and Customers</td><td>Decrease in revenue due to decrease in production capacity</td><td>Water shortages may affect the production and manufacturing of downstream customers, which in turn may affect the demand for the Company's products</td></tr>
<tr><td>Short-term Physical Risk : Mandatory use of renewable energy by the Government</td><td>Vendors and Customers</td><td>Increase in Production Cost</td><td>Requiring the purchase of renewable power/certificates, installation of renewable power generation equipment, energy storage equipment, etc. to meet national carbon reduction targets will increase operating costs and capital investment; it may also affect procurement costs.</td></tr>
</table>
</td></tr>
</table>

<table>
<tr><th>Items</th><th>Implementation status</th></tr>
<tr><td>3. Describe the financial impact of extreme weather events and transformative actions.</td><td>
<table>
<tr><th>Events</th><th>Description</th><th>Financial Impact</th></tr>
<tr><td>Extreme weather</td><td>Extreme climate events may affect the Company operations, outsourced production, transportation, customers’ production, etc.</td><td>Decrease in revenue due to lower production capacity: our own operations and outsourced production plants may be affected by extreme weather conditions, resulting in production disruptions and lower revenue due to lower demand for our products and services: customers may experience lower demand for the Company's products as a result of water shortages affecting their production</td></tr>
<tr><td>Transition Action</td><td>Possible opportunities for climate change at present include the development of low-carbon goods and services, resource efficiency and the use of incentivized policies</td><td>Developing low-carbon goods and services: Increased demand for products and services leads to increased revenues.
Improve resource efficiency: Reducing water use and consumption and improving energy efficiency can reduce overhead costs.
Use of incentives: Indirect costs can be reduced through incentives such as sustainable linkage loans and/or phase-out and replacement grants.</td></tr>
</table>
</td></tr>
<tr><td>4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.</td><td>
<table>
<tr><td>Identify the risk and opportunity</td><td>Refer to the TCFD's recommendations, industry-related information and internal and external discussion, to initial assessment of the risk and opportunity factors associated with the Company</td></tr>
<tr><td>Assess the Risk and opportunity</td><td>Conducting risk and opportunity assessment, and confirm and discuss the assessment results with internal and external parties to identify the impact of relevant risk factors, the possible timeframe of occurrence and the possible financial impact.</td></tr>
<tr><td>Planning</td><td>In view of the potential risks and opportunities identified, and refer to the company's operation and development, then carry out contingency planning, which will be confirmed and reported in the management meetings.</td></tr>
<tr><td>Monitoring and Report</td><td>Results are tracked and reported in management meetings.</td></tr>
</table>
</td></tr>
</table>

Items	Implementation status
	The Company's risk management identifies, and plans for response methods in the management meetings. The Company's risk management now incorporates climate change-related factors, which are still recognized and have been incorporated into the established risk management system.
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	Regarding international assessment reports and relevant domestic policies and regulations, the Company set up climate risk and opportunity assessment scenarios, with the transition risk mainly based on the 2050 net-zero emissions scenario and the physical risk mainly based on the SSP-8.5 scenario.
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	None
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	None.
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	None.
9. Greenhouse Gas Inventory and Confirmation, reduction targets, strategies and specific action plans.	Refer to B. and C.

B. Greenhouse Gas Inventory and Confirmation in the last two years

Basic information of the company	Minimum required disclosure under the Sustainable Development Roadmap for TWSE/TPEx Listed Companies:
☐ Capital of NT$10 billion or more, iron and steel industry, or cement industry ☐ Capital of NT$5 billion or more but less than NT$10 billion ■ Capital of less than NT$5 billion	■ Inventory for parent company only ☐ Inventory for all consolidated entities ☐ Assurance for parent company only ☐ Assurance for all consolidated entities

		2023		2022	
		Total emissions (Metric tonnes CO2e)	Density (Mt CO2e/steel embryo output)	Total emissions (Metric tonnes CO2e)	Density (Mt CO2e/steel embryo output)
AP Memory	Scope 1	13.531		13.040	
	Scope 2	307.508		255.140	
	Subtotal	321.039		268.180	
Subsidiaries	Scope 1	1.142			
	Scope 2	52.841			
	Subtotal	53.983			
Total		375.022	0.089	268.180	0.053

Note: Only AP Memory Technology (Hangzhou) Limited Co., Ltd. has been included in the scope of inventory of subsidiaries since 2023; the results of the inventory have not yet been assured.

C. Greenhouse Gas reduction targets, strategies, and specific action plans.

Describe the greenhouse gas reduction base year and its data, reduction targets, strategies, specific action plans and achievement of reduction targets.
The base year for reduction and the related carbon reduction program have not yet been formulated.

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

Evaluation Items	Implementation Status			Difference with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and the Reasons
	Yes	No	Summary Descriptions	
1. Establishment of ethical corporate management policies and programs				No significant difference
(1) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	✓		(1) The Company has established the "Ethical Corporate Management Best Practice Principles" which has been implemented after the approval of the Board of Directors.	
(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies"?	✓		(2) The Company has established the "Procedures for Ethical Management and Guidelines for Conduct" which has been implemented after the approval of the Board of Directors.	
(3) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?	✓		(3) The Company has set up a dedicated unit to carry out ethical policy promotion, training, and supervision, and encourage internal and external personnel to report unethical conduct or misconduct. Ethical management is also incorporated into performance evaluation and human resources policy.	
2. Ethical Management Practice				
(1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?	✓		(1) The Company's correspondent trading partners have been properly evaluated, and the contracts signed with them also specify business conduct and ethics related clauses.	No significant difference
(2) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?		✓	(2) At present, the Administration Center of the Company is responsible for the promotion and development of corporate ethical management. The Company will evaluate the establishment of the corresponding dedicated department according to the operation situation.	The Company will evaluate the establishment of the corresponding dedicated unit according to the operation situation.
(3) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	✓		(3) The Company follows the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct".	No significant difference
(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	✓		(4) The Company has established a sound and effective accounting system, internal control system, and internal audits. The Company conducts the audit of all activities according to the regular schedule and irregular projects. According to the annual audit plan, the accountant conducts the audit sampling of the internal control.	No significant difference
(5) Does the company provide internal and external ethical corporate management training programs on a regular basis?	✓		(5) The Company introduce the ethical management policy at various meetings from time to time. In the future, the Company will organize the ethical	No significant difference

Evaluation Items	Implementation Status			Difference with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and the Reasons
	Yes	No	Summary Descriptions	
			management training regularly according to the needs.	
3. Implementation of Complaint Procedures (1) Has the company established specific whistleblowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistle-blowers? (2) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner? (3) Has the company adopted proper measures to protect whistle-blowers from retaliation for filing complaints?	✓ ✓ ✓		(1) The Company has established the "Procedures for Ethical Management and Guidelines for Conduct", which clearly defined the reporting, reward system and complaint channel. Appropriate personnel will be appointed according to the position, position, function, and other relevant factors of the person being reported. (2) The Company has established the "Procedures for Ethical Management and Guidelines for Conduct", which stipulated that the identity of whistleblowers and the contents of whistleblowers will be kept confidential. (3) The Company has established the "Procedures for Ethical Management and Guidelines for Conduct", which set forth measures to protect whistleblowers from improper treatment due to whistleblowing.	No significant difference No significant difference No significant difference
4. Strengthening Information Disclosure Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	✓		The Company has an official website to disclose the relevant information of the Company and has a dedicated person to maintain and update the information. At present, according to the regulations, the Company discloses various financial and business information at the Market Observation Post System regularly and irregularly.	No significant difference
5. If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe any deviations between the principles and their implementation: No significant difference				
6. Other important information to facilitate a better understanding of the status of operation of the company's ethical corporate management policies (e.g., the company's reviewing and amending of its ethical corporate management best practice principles): The Company pays close attention to the development of domestic and foreign ethical management regulations, for reviewing and improving the ethical management policy and measures adopted by the Company, so as to enhance the effectiveness of the implementation of ethical management.				

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

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

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

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

(10) Execution Status of Internal Control

A. Internal Control Statement

AP Memory Technology Corporation
Statement of Internal Control System

Date: March 1st, 2024

Based on the findings of a self-assessment, AP Memory Technology Corporation (the "**Company**") hereby states the following with regard to its Internal Control System during the year 2023:

1. The Company's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. The Company has established such system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, and transparency of our reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control actives, (4) information and communication, and (5) monitoring. Each component includes several items. For the detailed items, please refer to the Regulations.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, the Company believes that, on December 31, 2022, we have maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeless, and transparency of our reporting, and compliance with applicable laws and regulations.
6. This Statement will be an integral part of the Company's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on March 1st, 2024, with none of the Eight attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

AP Memory Technology Corporation

Chairman & CEO: Chen, Wen-Liang

President: Hung, Chih-Hsun

B. For those who entrust an accountant to review the internal control system, it shall disclose the accountant's audit report: N/A

(11) In the most recent year and up to the publication date of the Annual Report, if the Company and its internal personnel are punished according to law, or if the Company punishes its internal personnel for violating the provisions of the internal control system, and the result of the punishment may have a significant impact on shareholders' equity or securities prices, the Company shall list out the content of the punishment, the main deficiency, and the improvement situation: N/A

(12) Major Resolutions of Shareholders' Meeting and Board Meeting in the most recent year and up to the publication date of the Annual Report

A. Resolutions of Shareholders' Meeting

The Company's 2023 Annual Shareholders' Meeting was held on May 29, 2023. At the meeting, the shareholders present approved the following resolutions:

Major Resolutions of Shareholders' Meeting	Implementation Status
Acknowledgement: 1. The 2022 Business Report and Financial Statements 2. The Distribution of 2022 Profits	Approved. Approved. A cash dividend of NT$7 was allocated per share, the distribution of which was completed on July 07, 2023.
Election: Directors Election	The following is the list of elected members of the Fifth Board of Directors: Director: Chen, Wen-Liang; Hung, Chih-Hsun; Shanyi Investment Co., Ltd Representative: Liu, Chin-Hung; Li Shun Investment Co. Representative: Hsieh, Ming-Lin Independent Director: Wang, Hsuan; Sun, Elizabeth; Yeh, Jui-Pin; Liu, Frank
Others: Lifting the prohibition on the newly elected Directors and their representatives from participating in the competitive business.	Approved.

B. Resolutions of Board Meetings

During the 2023 calendar year and up to the publication date of the Annual Report, the Company held 9 board meetings, and major resolutions approved at these Board meetings are summarized below:

Date	Proposals
02.24, 2023	1. Approval of the "2022 Statement of Internal Control System". 2. Amendment of "Internal Control System", and the "Internal Audit Implementation Rules". 3. Approval of distribution of the Company's 2022 employees bonus and directors compensation. 4. Approval of the Company's 2022 annual individual and consolidated financial statements and business report. 5. Approval of the Company's earnings distribution of cash dividends of 2022. 6. Approval of the Company's earnings distribution plan for the year 2022. 7. To elect eight Directors (including four Independent Directors) 8. Convening the 2023 Annual Shareholders' Meeting. 9. To nominate candidate of Directors. 10. To obtain short-term financing facility from Mega International Commercial Bank.
04.07, 2023	1. Approval of the Company's 2022 business report. 2. Pre-Approval of unassured services by CPA and affiliated firms. 3. To nominate candidates for the directors and the independent directors then to examine the independence of the independent directors. 4. Approved to modify the agenda for 2023 Annual Shareholders' Meeting 5. To set the record date for registration of change of capital for employee stock options exercise request during 1st quarter of 2023.

Date	Proposals
04.28, 2023	1. Approved the financial statement of 1st quarter of 2023. 2. Agreed the 2022 performance grading and adjustment of the compensation plan of CEO and President. 3. Approved the list of employee stock options per the Company's "The Employee Stock Option Issuance and Share Subscription Plan of 2022." 4. Approval of distribution of the directors compensation. 5. Amendment and renamed "Rules Governing Financial and Business Matters Between this Corporation and related person/parties". 6. Amendment "Corporate Governance Practice Principles"
05.29, 2023	1. To elect the Chair of Board of Directors 2. Amendment "Rule of compensation for Directors and Committee members" 3. Appointed the members of the Compensation Committee. 4. The newly Independent Directors' compensation.
07.28, 2023	1. Approved the financial statement of 2nd quarter of 2023. 2. Amendment the "Procedures of Board of Director Meetings" and "Audit Committee Charter" 3. To obtain financing facility from Land Bank of Taiwan. 4. "To set the record date for registration of change of capital for employee stock options exercise request during 2nd quarter of 2023.
10.27, 2023	1. Approved the financial statement of 3rd quarter of 2023. 2. Amendment the "the Personal Information Protection Procedure" 3. Amendment the "Procedures for Risk Management". 4. To issue the Company's 2023 Employee Stock Options 5. Pre-Approval of unassured services by CPA and affiliated firms. 6. To set the record date for registration of change of capital for employee stock options exercise request during 3rd quarter of 2023.
11.13, 2023	1. Acquired the portion of shares of M3 Technology Inc (6799.TW)
12.22, 2023	1. Appointment of the certified public accountant of the Company and auditing fee of 2024. 2. Pre-Approval of unassured services by CPA and affiliated firms. 3. The Annual Audit Plan of 2024. 4. The Company's annual budget of 2024. 5. To obtain financing facility from Banks. 6. Amendment "Rules of Election Director" 7. Amendment "Insider Trading Rules" 8. The 2024 compensation plan of CEO and President. 9. The 2024 compensation plan of President. 10. Approved the list of employee stock options per the Company's "The Employee Stock Option Issuance and Share Subscription Plan of 2022" and "The Employee Stock Option Issuance and Share Subscription Plan of 2023"
03.01, 2024	1. Approval of the "2023 Statement of Internal Control System" 2. Approval of distribution of the Company's 2023 employees bonus and directors compensation. 3. Approval of the Company's 2023 annual individual and consolidated financial statement. 4. Approval of the Company's 2023 business report. 5. Approval of the Company's earnings distribution of cash dividends of 2023. 6. Approval of the Company's earnings distribution plan for the year 2023. 7. 6. To set the record date for registration of change of capital for employee stock options exercise request during 4th quarter of 2023. 8. Lifting the prohibition on the Directors and their representatives from participating in the competitive business. 9. Convening the 2024 Annual Shareholders' Meeting. 10. The details of acceptance of shareholders' proposals 11. The Company organization Adjustments

(13) In the most recent year and up to the publication date of the Annual Report, in case that any director or supervisor has a dissenting opinion, which is on record or stated in a written statement, on any important resolution passed by the Board of Directors, the Company shall state its main content: N/A

(14) In the most recent year and up to the publication date of the Annual Report, the resignations/dismissal of the Company's Chairman, President, accounting supervisor, finance supervisor, internal audit supervisor, corporate governance supervisor, and R&D supervisor are summarized below: N/A

5. Information of Audit Fee

(1) Audit Fee

Unit: In thousands of NTD

Accounting Firm	Name of CPA	Audit Period	Audit Fee	Non-Audit Fee	Total Amount	Remark
Deloitte & Touche	Chien, Ming-Yen Chuang, Bi-Yu	January 1, 2023 to December 31, 2023	4,900	405	5,305	—

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

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

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

6. Information on Replacement of CPA: N/A

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

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

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

Unit: Share

Title	Name	2023		2024 as of April 30	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman and CEO	Chen, Wen-Liang	318	-	418	-
Director and President	Hung, Chih-Hsun	50,261	-	603	-
Director	Shanyi Investment Co., Ltd	-	-	-	-
	Representative: Liu, Chin-Hung	(43,748)	-	539	-
Director	Li Shun Investment Co.	-	-	-	-
	Representative: Hsieh, Ming-Lin	-	-	-	-
Independent Director	Yeh, Jui-Pin	-	-	-	-
Independent Director	Liu, Frank	-	-	-	-
Independent Director	Wang, Hsuan	-	-	-	-
Independent Director	Sun, Elizabeth	-	-	-	
Major Shareholder	Shanyi Investment Co., Ltd	-	-	-	-
Senior Vice President	Liu, Chin-Hung	(43,748)	-	539	-
CFO	Lin, Yu-Hsin	221	-	8,483	-
Vice President	Hsueh, Che-Yuan(Note 1)	-	-	-	-
Assistant Vice President	Liu Tsung-Ning	172	-	504	-
Assistant Vice President	Huang, Wei-Cheng	227	-	506	-
Accounting and Finance Supervisor	Hung, Mao-Chuan	154	-	344	-
Corporate Governance Supervisor	Hong, Shu-Ling	(9,819)	-	385	-

Note 1: Took office on March 1, 2024

Note 2: The number of stock shares in this table is based on the insider shareholding report as of March 2024.

(2) Information of stock trade with related party by any director, supervisor, Managerial Officers, and shareholder with 10% shareholdings or more: N/A

9. Relationship Information, if among the Company's 10 largest shareholders any one is a related party or is the spouse or a relative within the second degree of kinship of another

March 29, 2024; Unit: Share; %

Name	Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Name and Relationship of the 10 Largest Shareholders who is a related party of another as stipulated in the Financial Accounting Standards Bulletin No. 6 or is the spouse or a relative within the second degree of kinship of another		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Shanyi Investment Co., Ltd	26,706,668	16.47%	—	—	—	—	Representative of YAMAICHI HOLDINGS CO., LTD.: Li, Juan	Parent Company	
Representative: Li, Juan	—	—	—	—	—	—			
Deutron Electronics Corporation	6,500,000	4.01%	—	—	—	—	N/A	N/A	
Representative: Lo, Ying-Hua	18,000	0.01%	—	—	—	—	N/A	N/A	
Huang, Chung-Jen	5,709,006	3.52%	—	—	—	—	RESEN Corporation	Representative of Director	
Wu, Yu-Chan	5,489,000	3.38%	—	—	—	—	N/A	N/A	
Yu Hui Investment Co.	4,377,470	2.70%	—	—	—	—	N/A	N/A	Note
Representative: Chen, Hui-Chuan	556,970	0.34%	—	—	570,286	0.35%			
YAMAICHI HOLDINGS Co., Ltd.	4,308,610	2.66%	—	—	—	—	Representative of Shanyi Investment Co., Ltd: Li, Juan	Subsidiary	
Representative: Li, Juan	—	—	—	—	—	—			
RESEN Corporation	4,041,980	2.49%	—	—	—	—	Huang, Chung-Jen	Representative of Director	
Representative: Huang, Shu-Min	755,000	0.47%	—	—	—	—			
Girish	3,557,678	2.19%	—	—	—	—	N/A	N/A	
Li, Hsuan-Hsi	2,720,192	1.68%	—	—	—	—	N/A	N/A	
Norges Bank - internal - NBIM PF EQ INTERNAL CFD	2,637,000	1.63%	—	—	—	—	N/A	N/A	

Note: Holding shares through JHC HOLDINGS INTERNATIONAL LTD.

10. Number of shares held in any re-investment enterprise by the Company, its Directors, Supervisors, Management, and any enterprise directly or indirectly controlled by the Company; Calculate the consolidated shareholding percentage of the above categories.

December 31, 2023; Unit: 1,000 Shares; %

Re-Investment Enterprise	Investment by the Company		Investment by the Directors, Supervisors, Management, and any enterprise directly or indirectly controlled by the Company		Comprehensive Investment	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
AP Memory Corp, USA	2,000	100.00%	-	-	2,000	100.00%
AP Memory Technology (Hangzhou) Corporation	-	100.00%	-	-	-	100.00%
AP Memory Technology (Hong Kong) Co. Limited	-	-	10	100%	10	100.00%
APware Technology Corp.	-	100.00%	-	-	-	100.00%
VIVR Corporation	10,000	100.00%	-	-	10,000	100.00%
CascadeTeq Inc.	500	100.00%	-	-	500	100.00%

IV Fundraising

1. Capital and Shares

(1) Sources of Capital

April 15, 2024; Unit: In thousands of NTD; 1,000 Shares

Month/ Year	Issue Price (NTD)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital paid in by assets other than cash	Other
March 2022	5	200,000	1,000,000	161,481	807,406	Increase NT$64,000 thousand due to Issue common shares for global depositary receipts	N/A	March 14, 2022 Eco Auth Biz Zhi No.11101035820
April 2022	5	200,000	1,000,000	161,379	806,896	Increase NT$2,070 thousand due to exercise of employee share options Decrease NT$2,580 thousand due to retirement of treasury shares	N/A	April 11, 2022 Eco Auth Biz Zhi No.11101041780
June 2022	5	200,000	1,000,000	161,419	807,096	Increase NT$200 thousand due to exercise of employee share options	N/A	June 14, 2022 Eco Auth Biz Zhi No.11101041780
Aug. 2022	5	200,000	1,000,000	161,491	807,456	Increase NT$360 thousand due to exercise of employee share options	N/A	Aug. 15, 2022 Eco Auth Biz Zhi No.11101041780
Jan. 2023	5	200,000	1,000,000	161,557	807,786	Increase NT$330 thousand due to exercise of employee share options	N/A	Jan. 6, 2023 Eco Auth Biz Zhi No.11101251760
April 2023	5	200,000	1,000,000	161,853	809,266	Increase NT$1,480 thousand due to exercise of employee share options	N/A	April 24. 2023 Eco Auth Biz Zhi No. 11230066330
Aug. 2023	5	200,000	1,000,000	161,858	809,291	Increase NT$25 thousand due to exercise of employee share options	N/A	Aug. 17, 2023 Eco Auth Biz Zhi No. 1230153140
Nov. 2023	5	200,000	1,000,000	161,874	809,372	Increase NT$81 thousand due to exercise of employee share options	N/A	Nov. 21, 2023 Eco Auth Biz Zhi No. 11230212250
Mar. 2024	5	200,000	1,000,000	162,004	810,020	Increase NT$648 thousand due to exercise of employee share options	N/A	Mar. 19, 2024 Eco Auth Biz Zhi No. 11330041170

April 15, 2024; Unit: Share

Type of Stock	Authorized Share Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Common Stock	162,194,616	37,805,384	200,000,000	The outstanding shares include employee stock warrants that have not yet completed registration for conversion of 190,670 shares.

(2) Composition of Shareholders

March 29, 2024; Unit: Person; Share; %

Composition of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	3	147	31,182	207	31,539
Shareholding	0	103,000	55,396,464	73,199,855	33,495,297	162,194,616
Holding Percentage	0.00	0.06	34.15	45.14	20.65	100.00

(3) Distribution Profile of Share Ownership

March 29, 2024; Unit: Person; Share; %
NT$5 per share

Shareholding Classification	Number of Shareholders	Shareholding	Holding Percentage
1 ~ 999	14,999	1,617,971	1.00
1,000 ~ 5,000	14,523	25,310,011	15.60
5,001 ~ 10,000	1,056	8,113,341	5.00
10,001 ~ 15,000	311	4,006,436	2.47
15,001 ~ 20,000	167	3,064,949	1.89
20,001 ~ 30,000	143	3,590,126	2.21
30,001 ~ 40,000	75	2,660,963	1.64
40,001 ~ 50,000	58	2,651,005	1.63
50,001 ~ 100,000	86	6,181,604	3.81
100,001 ~ 200,000	55	7,938,892	4.89
200,001 ~ 400,000	33	9,296,050	5.73
400,001 ~ 600,000	9	4,477,571	2.76
600,001 ~ 800,000	4	2,737,396	1.69
800,001 ~ 1,000,000	4	3,542,302	2.18
Over 1,000,001	16	77,005,999	47.50
Total	31,539	162,194,616	100.00

(4) List of Major Shareholders

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

March 29, 2024; Unit: Share; %

Shares / Name of Major Shareholders	Shareholding	Holding Percentage
Shanyi Investment Co., Ltd	26,706,668	16.47
Deutron Electronics Corporation	6,500,000	4.01
Huang, Chung-Jen	5,709,006	3.52
Wu Yu-Chan	5,489,000	3.38
YuHui Investment Co.	4,377,470	2.70
YAMAICHI HOLDINGS CO., LTD.	4,308,610	2.66
RESEN CORPORATION	4,041,980	2.49
Girish	3,557,678	2.19
Li, Hsuan-Hsi	2,720,192	1.68
Norges Bank - internal - NBIM PF EQ INTERNAL CFD	2,637,000	1.63

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

Unit: NTD; 1,000 shares

<table>
<tr><th colspan="3">Item / Year</th><th>2022</th><th>2023</th><th>The current year as of April 15, 2024 (Note 5)</th></tr>
<tr><td rowspan="3">Market Price Per Share</td><td colspan="2">Highest</td><td>504.00</td><td>482.00</td><td>555.00</td></tr>
<tr><td colspan="2">Lowest</td><td>137.00</td><td>165.00</td><td>373.50</td></tr>
<tr><td colspan="2">Average</td><td>247.10</td><td>337.40</td><td>473.09</td></tr>
<tr><td rowspan="2">Net Worth Per Share</td><td colspan="2">Before Distribution</td><td>67.78</td><td>69.89</td><td>65.51</td></tr>
<tr><td colspan="2">After Distribution</td><td>60.77</td><td>62.88(Note 1)</td><td>-</td></tr>
<tr><td rowspan="2">Earnings Per Share</td><td colspan="2">Weighted Average Shares</td><td>160,602</td><td>161,847</td><td>162,143</td></tr>
<tr><td>Earnings Per Share</td><td>Before Retrospectively Adjustment</td><td>12.09</td><td>8.93</td><td>2.27</td></tr>
<tr><td rowspan="4">Dividends Per Share</td><td colspan="2">Cash Dividends</td><td>6.99660505</td><td>7.00(Note 1)</td><td>-</td></tr>
<tr><td rowspan="2">Issuance of Bonus Shares</td><td>Stock Dividend from Earnings</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Capital Surplus Allotment</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Accumulated Undistributed Dividend</td><td>N/A</td><td>N/A</td><td>-</td></tr>
<tr><td rowspan="3">Return on Investment</td><td colspan="2">Price/Earnings ratio(Note 2)</td><td>20.44</td><td>37.78</td><td>-</td></tr>
<tr><td colspan="2">Price/Dividends ratio(Note 3)</td><td>35.32</td><td>48.20</td><td>-</td></tr>
<tr><td colspan="2">Cash Dividend Yield(Note 4)</td><td>2.83%</td><td>2.07%</td><td>-</td></tr>
</table>

Note 1: The Company's earning distribution proposal for 2023 has been approved by the Board of Directors and is waiting for reporting to the 2024 Annual Meeting of Shareholders.

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

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

Note 4: Cash Dividend Yield = Cash Dividends Per Share/ Average Market Price

Note 5: Net Worth Per Share and Earnings Per Share are the data reviewed by the accountant in the 1st quarter of 2024.

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

A. The Company's Dividend Policy

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

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

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

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

B. Dividend Distribution

Unit: NTD

Dividends per share \ Year		2023
Cash Dividends		7.0
Issuance of Bonus Shares	Earnings	0
	Capital Surplus	0
Total		7.0

The above table is the cash dividends approved by the Board of Directors on March 1, 2024, which was calculated based on the number of outstanding shares on the book closure date of the shareholders' meeting. The actual dividend distribution and dividend ratio shall be calculated according to the actual number of outstanding shares on the ex-dividend base date.

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

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

(8) Compensation of Employees, Directors, and Supervisors

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

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

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

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

The compensation for employees, directors, and supervisors in 2023 are estimated at 2.17% and 0.29% of the pre-tax profit before deduction of the compensation for employees and directors respectively, which were allocated in cash by the resolution of the Board of Directors on March 1, 2024.

C. Distribution of Compensation approved by the Board of Directors

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

The Board of Directors of the Company adopted the resolution on March 1, 2024 to distribute in cash the compensation of NT$36,057 thousand to the employees and NT$4,800 thousand to the directors in 2023, which had no difference with the estimated figure for the fiscal year t hese expenses are recognized.

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

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

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

The Board of Directors of the Company adopted the resolution on Feb. 24, 2023 not to distribute directors and employees compensation, which had no difference with the estimated figure stated in the financial statements of 2022.

(9) Buyback of Common Stock

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

B. In order to transfer the shares to the employees, the Board of Directors of the Company adopted the resolution on October 8, 2018 for buyback treasury shares. The period of repurchase of treasury shares was October 9, 2018 to December 8, 2018; repurchase of treasury shares amounting to 258,000 shares and at the purchase price of NT$11,246 thousand. On February 25, 2022, by resolution of the Board of Directors, the Company retired its treasury shares and completed the registration of the relevant changes.

C In order to transfer the shares to the employees, the Board of Directors of the Company adopted the resolution on May 14, 2019 for buyback treasury shares. The period of repurchase of treasury shares was May 15, 2019 to July 12, 2019; repurchase of treasury shares amounting to 1,500,000 shares and at the purchase price of NT$55,325 thousand. On August 9, 2019, by resolution of the Board of Directors, the Company retired 1,500,000 of its treasury shares and completed the registration of the relevant changes.

2. Corporate Bonds: N/A

3. Preferred Shares: N/A

4. Depositary Receipt:

Item \ Issue Date			January 25, 2022
Issuance and listing			Luxembourg Exchange
Total amount			US$189,760,000
Offering price			US$29.65 per GDS
Number of GDS issued			6,400,000 GDS
Sources of the securities underlying the GDS			Issuance of new common shares by cash capital increase for sponsoring GDS issuance
Number of shares represented by each GDS			Each GDS represents 2 common share
Rights and obligations of GDS holders			The new common shares have the same rights and obligations as the C'mpany's existing issued and outstanding common shares
Trustee			None
Depository bank			Citibank, N.A.
Custodian bank			Citibank Taiwan Limited
Outstanding balance			0 units
Treatment of expenses incurred at issuance and thereafter			Borne by the issuing company
Important conventions about depository and escrow agreement			Please refer to the depository and custodian contract
Market price per unit	Current year to April 15, 2024	Highest	US$34.6
		Lowest	US$11.3
		Average	US$23.0

5.Status of Employee Stock Options Plan

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

March 31, 2024

Type of Employee Stock Options	2nd time in 2016	2018		2019	2020	
Approval Date	December 26, 2016	September 14, 2018		July 11, 2019	September 15, 2020	
Total number of unit	1,200,000	1,400,000		750,000	400,000	
Issue Date	January 25, 2017	November 9, 2018	April 26, 2019	December 20, 2019	September 26, 2020	March 12, 2021
Number of unit issued	680,000	692,000	8,000	750,000	319,000	69,430
Number of units still available for issuance	0	0		0	0	
Ratio of shares exercisable to the total number of shares issued	0.20%	0.41%	0.01%	0.80%	0.32%	0.08%
Duration	10 Years	10 Years		10 Years	10 Years	
Exercise method	Issuance of new shares	Issuance of new shares		Issuance of new shares	Issuance of new shares	
Vesting period and percentage (%)	Duration of the option grant and the percentage of the maximum number of exercisable options accumulated: (1) Two years after the duration of the option grant: 40% of the total options granted (2) Three years after the duration of the option grant: 70% of the total options granted (3) Four years after the duration of the option grant: Free to exercise the remaining stock options.	Duration of the option grant and the percentage of the maximum number of exercisable options accumulated: (1) Two years after the duration of the option grant: 25% of the total options granted (2) Three years after the duration of the option grant: 25% of the total options granted (3) Four years after the duration of the option grant: 25% of the total options granted (4) Five years after the duration of the option grant: Free to exercise the remaining stock options.		Duration of the option grant and the percentage of the maximum number of exercisable options accumulated: (1) Two years after the duration of the option grant: 25% of the total options granted (2) Three years after the duration of the option grant: 50% of the total options granted (3) Four years after the duration of the option grant: 75% of the total options granted (4) Five years after the duration of the option grant: Free to exercise the remaining stock options.	Duration of the option grant and the percentage of the maximum number of exercisable options accumulated: (1) Two years after the duration of the option grant: 25% of the total options granted (2) Three years after the duration of the option grant: 50% of the total options granted (3) Four years after the duration of the option grant: 75% of the total options granted (4) Five years after the duration of the option grant: Free to exercise the remaining stock options.	
Shares Exercised	323,200 shares	556,000 shares	6,000 shares	654,000 shares	118,700 shares	6,670 shares
Value of Shares Exercised	NT$23,134,176	NT$ 14,897,100	NT$ 171,000	NT$26,591,600	NT$ 18,866,800	NT$ 2,466,566
Number of unexercised shares	0 (Note 1)	56,000 (Note 2)	4,000	320,000(Note 3)	198,400 (Note4)	60,515 (Note 5)
Subscription price per share of the unexercised shares	NA	NT$21.20	NT$20.70	NT$39.60	NT$ 158.00	NT$ 369.80
Ratio of the number of unexercised shares to the total number of issued shares	-	0.07%	0.00%	0.40%	0.24%	0.07%
The effect on shareholders' equityy	No significant impact to the dilution of equity of the original common shareholders. It can attract and retain the talents needed and improve the centripetal force of the employees, which has positive benefit to the development of the Company.	No significant impact to the dilution of equity of the original common shareholders. It can attract and retain the talents needed and improve the centripetal force of the employees, which has positive benefit to the development of the Company.		No significant impact to the dilution of equity of the original common shareholders. It can attract and retain the talents needed and improve the centripetal force of the employees, which has positive benefit to the development of the Company.	No significant impact to the dilution of equity of the original common shareholders. It can attract and retain the talents needed and improve the centripetal force of the employees, which has positive benefit to the development of the Company.	

Note 1: Excluding the cancellation of 363,800 units due to resignation.
Note 2: Excluding the cancellation of 296,000 units due to resignation.
Note 3: Excluding the cancellation of 103,000 units due to resignation.
Note 4: Excluding the cancellation of 61,250 units due to resignation.
Note 5: Excluding the cancellation of 5,580 units due to resignation.
Note 6: The number of shares available for subscription per unit of the outstanding and unexpired employee stock options issued prior to the date of par value change of share, October 15, 2021, has been adjusted in accordance with the formula set forth in the "The Employee Stock Option Issuance and Share Subscription Plan".

March 31, 2024

Type of Employee Stock Options	2021	2022			2023
Approval Date	September 24, 2021	September 28, 2022			December 6, 2023
Total number of unit	270,000	1,000,000			300,000
Issue Date	April 29, 2022	Dec. 23, 2022	April 28, 2023	Dec. 22, 2023	January 1, 2024
Number of unit issued	267,000	426,330	173,670	398,400	150,000
Number of units still available for issuance	0	1,600			150,000
Ratio of shares exercisable to the total number of shares issued	0.14%	0.23%	0.10%	0.24%	0.09%
Duration	10 Years	10 Years			10 Years
Exercise method	Issuance of new shares	Issuance of new shares			Issuance of new shares
Vesting period and percentage (%)	Duration of the option grant and the percentage of the maximum number of exercisable options accumulated: (1) Two years after the duration of the option grant: 25% of the total options granted (2) Three years after the duration of the option grant: 50% of the total options granted (3) Four years after the duration of the option grant: 75% of the total options granted (4) Five years after the duration of the option grant: Free to exercise the remaining stock options.	Duration of the option grant and the percentage of the maximum number of exercisable options accumulated: (1) Two years after the duration of the option grant: 25% of the total options granted (2) Three years after the duration of the option grant: 50% of the total options granted (3) Four years after the duration of the option grant: 75% of the total options granted (4) Five years after the duration of the option grant: Free to exercise the remaining stock options.			Duration of the option grant and the percentage of the maximum number of exercisable options accumulated: (1) Two years after the duration of the option grant: 25% of the total options granted (2) Three years after the duration of the option grant: 50% of the total options granted (3) Four years after the duration of the option grant: 75% of the total options granted (4) Five years after the duration of the option grant: Free to exercise the remaining stock options.
Shares Exercised	0 share	0 share	0 share	0 share	0 share
Value of Shares Exercised	NT$0	NT$0	NT$0	NT$0	NT$0
Number of unexercised shares	228,813 (Note 1)	378,930 (Note 2)	158,934 (Note 3)	388,700 (Note 4)	150,000
Subscription price per share of the unexercised shares	NT$240.90	NT$ 166.50	NT$ 273.70	NT$ 457.50	NT$459.50
Ratio of the number of unexercised shares to the total number of issued shares	0.14%	0.23%	0.10%	0.24%	0.09%
The effect on shareholders' equityy	No significant impact to the dilution of equity of the original common shareholders. It can attract and retain the talents needed and improve the centripetal force of the employees, which has positive benefit to the development of the Company.	No significant impact to the dilution of equity of the original common shareholders. It can attract and retain the talents needed and improve the centripetal force of the employees, which has positive benefit to the development of the Company.			No significant impact to the dilution of equity of the original common shareholders. It can attract and retain the talents needed and improve the centripetal force of the employees, which has positive benefit to the development of the Company.

Note 1: Excluding the cancellation of 38,187 units due to resignation.
Note 2: Excluding the cancellation of 47,400 units due to resignation.
Note 3: Excluding the cancellation of 14,736 units due to resignation.
Note 4: Excluding the cancellation of 9,700 units due to resignation.

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

March 31, 2024; Unit: New Taiwan dollars; Share

	Title	Name	Number of Options Granted	% of Shares Exercisable to Outstanding Common Shares	Exercised				Unexercised			
					Shares Exercised	Exercise Price Per Share	Value of Shares Exercised	% of Shares Exercised to Outstanding Common Shares	Shares Un-excised	Adjusted Grant Price Per Share	Value of Shares Unexercised	% of Shares Unexercised to Outstanding Common Shares
Officers	CEO & CTO	Chen, Wen-Liang	1,112,080	0.69%	200,000	$22.15~ $158.00	$8,848,600	0.12%	912,080	$21.20~ $457.50	$213,452,340	0.56%
	President	Hung, Chih-Hsun										
	Senior Vice President	Liu, Chin-Hung										
	Vice President	Lin, Yu-Hsin										
	Assistant Vice President	Liu Tsung-Ning										
	Assistant Vice President	Huang, Wei Cheng										
	Accounting and Finance Supervisor	Hung, Mao-Chuan										
	Corporate Governance Supervisor	Hong, Shu-Ling										
Employees (Remark)	Senior Manager	Wang, Jian Gang	997,080	0.62%	434,270	$21.20~ $369.80	$ 19,250,146	0.27%	562,810	$21.20~ $459.50	$56,264,287	0.35%
	Senior Manager	Wang, Mei-Hsien										
	Senior Manger	Ho, Yi-Zhong										
	Senior Manager	Kuo, Chang-Li										
	Senior Manager	Chen, Bing-Ze										
	Senior Manager	Huang, Zhong-Qiqng										
	Senior Manager	Hunag, Jian-Zhang										
	Senior Manager	Huang, Ssu-Wei										
	Division Head	Huang, Jing-Lun										
	Senior Technical Manager	Jia, Syue-Jhen										

Note 1: Sorted by Chinese last name stroke.

Note 2: Statistics based on stock options that were still exercisable as of March 31, 2024.

Note 3: The number of shares available for subscription per unit of the outstanding and unexpired employee stock options issued prior to the date of par value change of share, October 15, 2021, has been adjusted in accordance with the formula set forth in the "The Employee Stock Option Issuance and Share Subscription Plan".

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

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

8. Implementation of funding utilization plan：

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

(1) Description of Plan

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

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

C. Use of Proceeds Plan and Schedule :

Unit：thousands

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

D. Estimated Benefits

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

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

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

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

Unit: In thousands of NTD/Piece

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

(ii) Capital recovery period

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

Unit: In thousands of NTD

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

(D) Investment in the resources of research a–d development - Strengt’en the company's competitiveness and enhance the effectiveness of operation.

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

Unit: In thousands of NTD

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

(ii) Capital recovery period

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

(2) Status of Implementation

Unit: thousand

<table>
<tr><th>Plan</th><th colspan="2">Status of Implementation</th><th colspan="2">Amount as of Dec. 31, 2023</th><th>Reason of schedule changed and improvement plan</th></tr>
<tr><td rowspan="6">Purchase of machinery equipment</td><td rowspan="4">Amount to be used</td><td rowspan="2">Estimated</td><td>US$</td><td>120,000</td><td rowspan="24">As of Dec. 31, 2023, only 3.23% of the GDR was utilized and the overall execution progress was not satisfactory, except for the IC design software, which was ahead of schedule.
This is mainly due to the impact of the recession in the Memory industry and the unstable global political and economic situation.
We will continue to purchase software tools for research and development until the overall market and environment stabilizes and the memory industry gradually recovers. And we will invest in research and development after the overall market and environment stabilize and the memory industry gradually recovers.</td></tr>
<tr><td>NT$</td><td>3,420,000</td></tr>
<tr><td rowspan="2">Actual</td><td>US$</td><td>-</td></tr>
<tr><td>NT$</td><td>-</td></tr>
<tr><td rowspan="2">% of execution</td><td>Estimated</td><td colspan="2">78.94</td></tr>
<tr><td>Actual</td><td colspan="2">-</td></tr>
<tr><td rowspan="6">R&D team setup</td><td rowspan="4">Amount to be used</td><td rowspan="2">Estimated</td><td>US$</td><td>22,104</td></tr>
<tr><td>NT$</td><td>629,964</td></tr>
<tr><td rowspan="2">Actual</td><td>US$</td><td>3,770</td></tr>
<tr><td>NT$</td><td>116,261</td></tr>
<tr><td rowspan="2">% of execution</td><td>Estimated</td><td colspan="2">49.83</td></tr>
<tr><td>Actual</td><td colspan="2">9.19</td></tr>
<tr><td rowspan="6">IC design software cost</td><td rowspan="4">Amount to be used</td><td rowspan="2">Estimated</td><td>US$</td><td>1,793</td></tr>
<tr><td>NT$</td><td>51,104</td></tr>
<tr><td rowspan="2">Actual</td><td>US$</td><td>2,188</td></tr>
<tr><td>NT$</td><td>67,592</td></tr>
<tr><td rowspan="2">% of execution</td><td>Estimated</td><td colspan="2">49.13</td></tr>
<tr><td>Actual</td><td colspan="2">64.99</td></tr>
<tr><td rowspan="6">Total</td><td rowspan="4">Amount to be used</td><td rowspan="2">Estimated</td><td>US$</td><td>143,897</td></tr>
<tr><td>NT$</td><td>4,101,068</td></tr>
<tr><td rowspan="2">Actual</td><td>US$</td><td>5,958</td></tr>
<tr><td>NT$</td><td>183,853</td></tr>
<tr><td rowspan="2">% of execution</td><td>Estimated</td><td colspan="2">71.95</td></tr>
<tr><td>Actual</td><td colspan="2">3.23</td></tr>
</table>

V Operation Overview

1. Business Activities

(1) Business scope: AP Memory is a professional integrated circuit (IC) design company, engaging in the research and development, design, manufacturing and sales of customized memory, and provides technical support and authorization of Silicon intelligence property, as a leading manufacturer in the world in designing non-standard memory ICs. With superior quality and integrated services, the Company assists customers in achieving their goals and launching innovative and world-changing products.

A. The main contents of the business registered with the Department of Commerce, Ministry of Economic Affairs:

(i) CC01080 Electronics Components Manufacturing

(ii) F401010 International Trade

(iii) I501010 Product Designing

(iv) F601010 Intellectual Property Rights

(v) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

B. Sales-to-revenue ratios of major product items

Unit: In thousands of NTD； %

Product item \ Year	2022		2023	
	Net operating revenue	Ratio (%)	Net operating revenue	Ratio (%)
Memory IC chips Sales revenue	4,646,381	91.20	3,902,005	92.31
Service revenue	277,245	5.44	205,724	4.87
License and Royalty revenue	152,451	2.99	90,214	2.13
Other revenue(Remark)	18,698	0.37	28,964	0.69
Total	5,094,775	100.00	4,226,907	100.00

Source: Financial statements audited and attested by CPAs.

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

C. Current products (services) and applications

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

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

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

a. Pseudo SRAM

Key advantages are low pin count, small size, and low power, mainly for applications like wearable devices and IoT-related products. We are a market leader in this product segment.

b. Low Power DRAM

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

c. Power-efficient Customized DRAM

In addition to low pin count, small size, and low power, this product line, such as Ultra-High-Speed (UHS) and Ultra-Lower-Power (ULS), provides even higher bandwidth at lower power, suitable for the next-generation high-performance IoT applications.

(ii)AI Memory, licensing and design services

The intensive of calculations of artificial intelligence require the use of large-capacity, high-speed memory to enable the system to perform calculations quickly, and the latest prevailing Large Language Models (LLM) demand even higher memory density and data bandwidth. The company's customized very high-bandwidth memory (VHM^{TM}) products and designs can enhance system performance through the integration of heterogeneous wafers through 3D stacking technology (Wafer-on-wafer, WoW). Compared with HBM, VHM^{TM} has advantages in bandwidth and power consumption. In addition to AI, it can also be applied to high-performance computing, Networking, and other fields.

(iii) Silicon capacitor products and IP licensing (S-SiCap™)

Silicon Capacitor is one category of Integrated Passive Devices (IPD). The Company’s silicon capacitor technology is named as S-SiCap™, an abbreviation for Stack Silicon Capacitor. With the advanced stack capacitor structure, S-SiCap™ provides high capacitance density, low product profile, and excellent temperature and voltage stability, meeting the application requirements for high-end smartphones and High-Performance Computing (HPC) chips. S-SiCap™ technology is applied to develop various types of products, integrated in advanced packaging process to offer customers an effective solutions.

D. New products (services) planned to be developed

The Company continues to provide innovative DRAM solutions and invest in R&D resources to develop the following new products and applications.

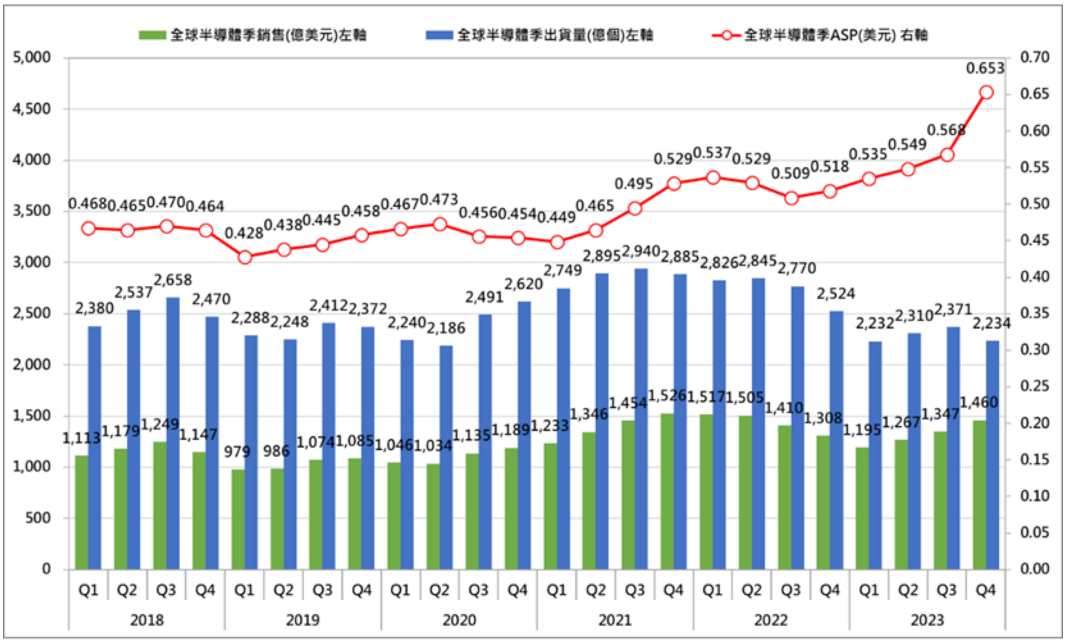
(i) Ultra-low power memory products used in wearable devices and IoT edge devices
(ii) Customized memory for Artificial Intelligence (AI) applications
(iii) Application areas of 3D stacking (WoW) customized VHM^{TM} (Very High-bandwidth Memory)
(iv) LPDDR4 memory for next-generation (5G) communications
(v) Silicon Capacitor (S-SiCap™), integrated in advanced packaging process for high-end smart phone and high-performance computing chips
(vi) Power delivery technology and products

(2) Industry overview

A. Industry status and outlook

(i) Current industry status

The 2021 COVID-19 pandemic disrupted the supply chain, spurred by the stay-at-home economy, and combined with increased logistical and raw material prices resulted in a global shortage of IC products. However, in 2022 the economy reversed and end demand declined as a result of geopolitical instability, inflation, and the ongoing pandemic. This led to high inventory levels in Taiwan's IC design sector and negatively affected sales momentum. Although inventories continued to adjust in 2023 and inventory pressure on the supply chain eased, the overall semiconductor market was still affected by previous oversupply and limited growth. According to WSTS statistics, 2023 worldwide semiconductor revenue totaled US$526.8 billion, a decrease of 8.2% compared to 2022, while Asia Pacific totaled US$ 135.3 billion, a 10.1% decrease compared to 2022.



Source: WSTS; Industry, Science and Technology International Strategy Center, Industrial Technology Research Institute (2024/02)

Global growth in 2024 is expected to be 3.1%, according to the International Monetary Fund (IMF) January 2024 World Economic Outlook report. It also stated that most regions are seeing faster-than-expected declines in inflation, with the global inflation rate expected to drop to 5.8% in 2024 because of tighter monetary policy and the easing of supply-side restrictions. In 2024, the consumer market is expected to recover and supply and demand will gradually rebalance. The global semiconductor market is forecast to grow by 8.1% in 2024 (TSIA 2023). The demand for semiconductors is anticipated to be driven by generative AI applications, AI PC upgrades, and mobile phone market recovery.

(ii) Overview of Taiwan’s IC industry market

According to statistics from ITRI Industrial Economics and Knowledge Center, Taiwan's IC industry output value in 2023 is estimated to reach NT$4,342.8 billion (USD$139.2B), a 10.2% decline from 2022. Among them, the output value of the IC design industry was NT$1,096.5 billion (USD$35.1B), down 11.0% from 2022; the IC manufacturing industry was NT$2,662.6 billion (USD$85.3B), down 7.2% from 2022. The exchange rate of the New Taiwan Dollar to the US Dollar is calculated at 31.2.

(iii) DRAM market overview

The pressure on the supply chain's inventory has eased in 2023, and the demand for end-market products is anticipated to recover gradually as inventory adjustment comes to an end. The market price for memory devices like DRAM has started to rebound from the fourth quarter of 2023. Memory manufacturers are now shifting their production focus towards high-end products such as DDR5 and HBM3, targeting AI applications. As applications such as 5G, generative AI, edge AI, and IoT products continue to advance, the memory capacity and bandwidth required for these applications will significantly increase. Our company focuses on customized IoT and AI memory development, which aligns with the current market requirements.

2019-2024 Taiwan IC Revenue

Unit: In thousands of NTD

Billion NT Dollars	2020	2020 Growth Rate	2021	2021 Growth Rate	2022	2022 Growth Rate	2023	2023 Growth Rate	2024(e)	2024(e) Growth Rate
IC Industry Output Value	32,222	20.9%	40,820	26.7%	48,370	18.5%	43,428	-10.2%	50,116	15.4%
IC Design Output Value	8,529	23.1%	12,147	42.4%	12,320	1.4%	10,965	-11.0%	12,570	14.6%
IC Manufacturing Output Value	18,203	23.7%	22,289	22.4%	29,203	31.0%	26,626	-8.8%	31,038	16.6%
Foundry	16,297	2.1%	19,410	19.1%	26,847	38.3%	24,925	-7.2%	29,060	16.6%
Memory & Other	1,906	19.4%	2,879	51.0%	2,356	-18.2%	1,701	-27.8%	1,978	16.3%
IC Packaging	3,775	9.0%	4,354	15.3%	4,660	7.0%	3,931	-15.6%	4,362	11.0%
IC Testing	1,715	11.1%	2,030	18.4%	2,187	7.7%	1,906	-12.8%	2,146	12.6%
IC Product Value	10,435	22.4%	15,026	44.0%	14,676	-2.3%	12,666	-10.2%	14,548	14.9%
WW Value (Billion USD) & Growth rate(%)	4,404	6.8%	5,559	26.2%	5,741	3.3%	5,268	-8.2%	5,958	13.1%

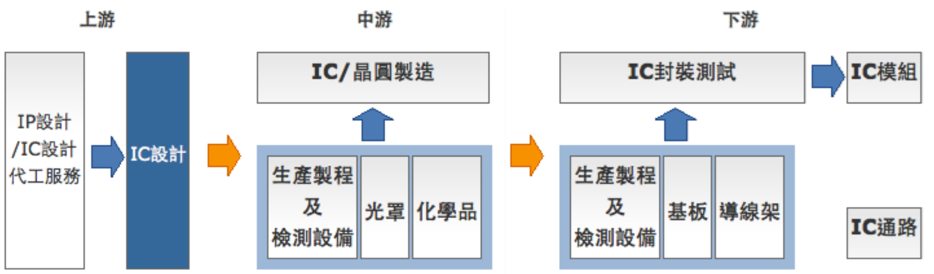
Source: TSIA; Industry, Science and Technology International Strategy Center, Industrial Technology Research Institute (2024/02); (e) indicates an estimate.

B. Semiconductor Industry supply chain linkage: Upstream, Midstream and Downstream

The IC design industry is positioned at the forefront of the semiconductor industry and has no upstream relationships. The mid- and downstream industries that IC design industry associates with include foundry and wafer fabrication, packaging, and testing. Unlike other major foreign companies that have a vertically integrated structure of design, manufacturing, packaging, and testing, Taiwan's IC industry is structured horizontally. It comprises individual companies in each production segment, each with its expertise forming a horizontal system with a division of labor.

IC design industry is a knowledge-intensive industry whereby IC design companies design and sell their products or receive design commissions from customers. IC design industry is at the upstream of the semiconductor industry supply chain. Once IC design companies complete the product design, they appoint a foundry or IDM (Integrated Device Manufacturer) to produce semi-finished wafer products and tested in the front end. After preliminary tests, the products are sent to packaging factories for cutting and packaging. The IC testing factory then conducts final tests, and the finished products that pass the tests are sold to system manufacturers through sales channels for assembly and production as system products. IC design companies are knowledge-intensive industries that design and sell their own products or receive design commissions from customers.

IC design industry linkage: Upstream, Midstream, and Downstream is listed as follows：



Source: Taipei Exchange, Introduction to the semiconductor industry chain

C. Products' development trends

Driven by the application of artificial intelligence and the Internet of Things, the demand for DRAM has become more diversified, with power saving, high performance, and miniaturization as the main features. Customized memory is valued by the market and widely adopted. The following describes the company's product development trend:

(i) Ultra-low-power

Memory used in wearable and IoT edge devices requires low power consumption, with some needing less than one-tenth of the power of traditional DRAM. Our company is dedicated to research and development, as well as mass production of low-power memory, and we have emerged as a leader in this segment.

(ii) Die size reduction and fewer pins

Traditional DRAM reduces costs by reducing the size of the die and increasing the unit output of the Wafer. As system-on-a-chip (SoC) continues to shrink with the development of logic processes, customers are also demanding DRAM chip sizes and the number of pins to be reduced. Our company offers industry-leading memory specifications for QSPI (x1/x4 IO), OPI (x8 IO), and HPI (x16 IO) products.

(iii) Wide range applications

The IoT technology has become widespread, resulting in the emergence of new applications and the need for more and smaller devices to be connected to the network for transmitting various data. These IoT devices will require specific requirements such as high performance, low power consumption, and small size. As a result, there is an increased demand for customized memory and low-power memory.

(vi) New DRAM applications brought by technology development

Artificial intelligence (AI) and supercomputing require massive data operations and high-bandwidth data transmission. As a result, higher-performance DRAMs are needed compared to those used in traditional computing devices. As AI algorithms continue to evolve, many chip technology architectures such as CPUs, GPUs, FPGAs, and ASICs are being adopted to meet the requirements of corresponding AI models. This has led to the development of various types of DRAMs to cater to different application scenarios. When performing AI model calculations, a large amount of data needs to be stored and read repeatedly and quickly in the memory. This is why high-performance, high-bandwidth, and low-power memory are needed to provide fast data transmission. The main goal is to reduce energy consumption and heat generation while improving the computing efficiency and performance of the entire system. Hence, the company actively cooperates with leading manufacturers in various fields to promote the innovation and development of memory technology. The goal is to meet the needs of new applications and promote the development of the industry.

D. Market competition

The DRAM industry has undergone consolidation after the economic downturn. Major global DRAM manufacturers are Samsung, Micron, SK Hynix, etc., while the larger-scale domestic DRAM manufacturers are Nanya, Winbond, and Powerchip Semiconductor. Domestic DRAM IC design companies are Nanya, Winbond, ESMT, Etron, etc., all of which focus on standard memory. Our company specializes in designing customized memory products that meet the needs of our customers and their intended applications.

(3) Technology and R&D overview

A. Technology level and research development

The Company has two business units, the IoT BU and the AI NU. The Company deploys different strategies on different application markets and conducts different research operations on the two BU respectively.

The Company's IoT BU continues to lead the global customized DRAM market for IoT application, promoting the Company's PSRAM and Low-power DRAM for various applications such as cellular communication, wearable devices, connectivity, and smart audio and video, as well as supporting various forms of the products including Known-Good-Die (KGD) and wafer level chip scale package (WLCSP). The annual shipments of IoT BU are approximately 1 billion units. As the industry leader and framer of the specification, built on the Company's existing technical base, the Company will continue to actively invest resources for R&D and developing n platforms and products of high performance, meeting requirements of devices in new application.

The Company's AI BU has successfully completed the development of the world's first 3D heterogeneous integration of DRAM and logic chip and had forged and created a new market and ecosystem with the launch of the VHM™ DRAM and IP products line. The royalty-based business model of VHM™ and VHM LInK IP™ will bring in royalty and license income before tape out, and wafer sales income after mass production. AI BU's product application includes Artificial Intelligence (AI) and High-Performance Computing (HPC), and also has leading advantage in performance specification such as high bandwidth and efficient IO power.

Moreover, both BUs have been developing several new product lines and services based on S-SiCap™ IP. These products can be integrated in advanced packaging process to enhance the performance of SoCs, satisfying the product requirement of high-end smart phones and high performance computing systems.

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

The Company's research and development expenses in the most recent two years and the most recent quarter as a percentage of net operating revenue were as follows: in 2022 and 2023, the amount of research and development expenses were NT$462,066 thousand and NT$583,627 thousand, respectively. In the first quarter of 2024, with the expansion of the R&D team and the continuous development of new products, the R&D expenses have reached NT$158,144 thousand. The Company has spared no effort in investing in R&D to build up its R&D strength and to develop new product lines.

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

(i) Very High-Bandwidth Memory (VHM™)

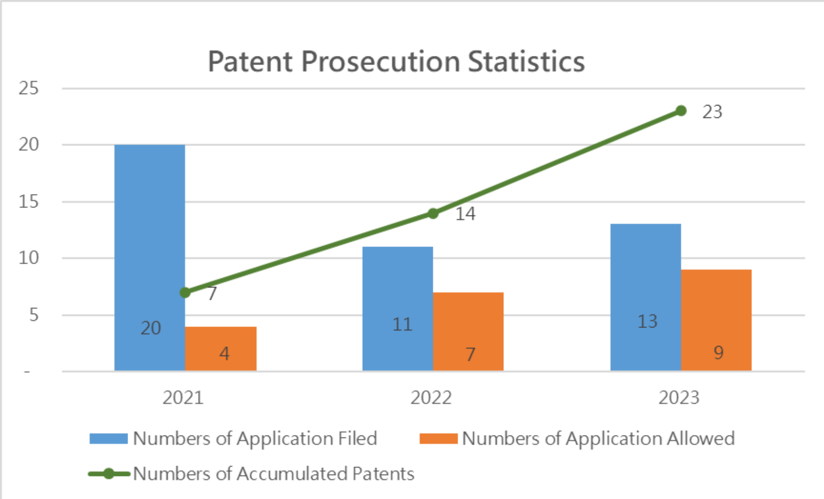
(ii) Ultra-High-Speed OPI Pseudo-SRAM (UHS™)

(iii) Ultra-Low-Swing OPI Pseudo-SRAM (ULS™)
(iv) Products and services based on S-SiCap™ IP

D. Status of the Company's existing patents

The Company has established a complete patent review, application and award management system, and by recruiting external patent consultants and providing training courses, it enhances and encourages R&D personnel to continue to develop and innovate, and gradually builds a key patent portfolio exclusive to the company. Based on the existing foundation and patent portfolio, the Company will continue to work on achieving innovation and advancing the accumulation of professional experiences as well as elevating the level of our technical strength.

The Company has patent portfolio in the United States, China, Taiwan and other places in respective to the main market areas of its products. The following chart shows the patent growth over the past three years.



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

A. Short-term business goals

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

B. Long-term operation direction

(i) Innovation is our Core Value: As an R&D and design company, AP Memory will continuously innovate. Through regular education and training, innovation will become our employees' DNA.
(ii) By utilizing the existing core memory technology and gradually developing high value-added related products to enhance the overall product competitiveness, AP Memory will become an irreplaceable brand.

(iii) Maintain a good relationship with existing wafer foundries packaging and testing companies; seek cooperation from new OEM companies to expand OEM supply capacity.
(iv) Continue the partnership with world-class companies and seek to jointly develop specifications and collaborative development to maintain a long-term partnership.
(v) Promote cross-industry strategic alliances to accelerate the development of diversified IC product lines other than memory to increase the Company's overall competitive advantage.
(vi) Integrate management resources and provide timely decision-making information to respond to industry changes and maintain optimal competitiveness.

2. Market and production and sales overview

(1) Market analysis

A. Sales regions of main products

Unit: In thousands of NTD;%

Region \ Year	2022		2023	
	Amount	Percentage	Amount	Percentage
China	2,603,812	51%	2,861,528	68%
Japan	901,998	18%	5,750	-
Taiwan	542,142	10%	456,773	11%
Europe	46,688	1%	71,347	1%
America	45,004	1%	72,968	2%
Other	955,131	19%	758,541	18%
Total	5,094,775	100%	4,226,907	100%

B. Market shares

The Industrial Technology Research Institute (IEK) announced the 2023 total output value of Taiwan's IC design industry to be NT 1,097 billion. Based on the Company's consolidated net operating revenue in 2023, the Company's revenue accounts for 0.39% share in the above mentioned output value. As the Company focuses on customized memory-related products and design services, it is estimated based on the industrial output value, resulting in a lower ratio.

C. The market's future supply and demand status and growth

The Company is a professional IC design company whose main core business is to provide customized design of memory-related integrated circuit products. In addition to designing and manufacturing Pseudo SRAM and low power DRAM chips for IoT-related Edge devices, the Company's VHM™, the world's first true 3D stacked heterogeneous integration technology of DRAM and logic chips, provides memory solutions for high-performance computing.

The Internet of Things (IoT) is an emerging field that is gaining interest across all industries. Through data transmission between devices, machinery, and digital machines, small packets of data can be aggregated into a large set of nodes to integrate and automate everything from home appliances to entire factory operations. This brings scattered data closer together and unifies the digital information between things. The Company specializes in designing and manufacturing memory chips that are cost-effective, consume less power, and deliver high performance. These features make our chips an ideal fit for IoT applications. Additionally, we can customize our chips to meet the specific needs of our customers. Our chips have already been integrated into the majority of IoT platforms. As 5G deployment continues to mature and network bandwidths increase, we expect a rapid acceleration in the development of related applications.

With the increasing demand for accurate, real-time, and high-volume data analysis in smart factories, cities, and other scenarios, the integration of AI and IoT is now ongoing. With integration of AI chips, IoT edge and terminal devices can enable machine learning or deep learning, bringing advantages such as no latency, low cost, and high privacy, demonstrating the importance of AI chips. Global AI chip production is estimated to reach US$72 billion by 2025

At the same time, edge computing enables terminal devices to operate more intelligently through AI, not only retaining the advantages of edge computing in terms of latency, privacy, connectivity, power consumption, cost, etc., but also further enabling the system to be proactive and intelligent. From a situational perspective, the main benefits of edge AI compared to traditional edge computing include data processing filtering and edge intelligence analysis, which are the motivation for the continued integration of the two technologies.

As the global high-speed computing (HPC) market accelerates, AI applications will become increasingly diversified, and computing requirements continue to increase. The Company's development focus is to continue investment in the development of 3D stacked heterogeneous integration (WoW, Wafer-on-wafer) Memory technology architecture, and develop high-performance and low-power memory products. Since this technology can effectively meet the requirements of AI and HPC chips for increased memory bandwidth and reduced power consumption, it is expected that customer demand will surge in the future. Concurrently, the Company will continue to invest resources to foster an ecosystem that supports mass production to provide customers with a complete supply chain system.

D. Competitive niche

(i) Experienced management team

The Company’s management team members have served in well-known semiconductor companies both domestically and internationally in the past, and the heads of its main departments have extensive experience in the pulse of semiconductor market trends, mastering advanced process technologies and core IC design technologies, and developing and establishing good communication channels with domestic and international chip maker customers. At the same time, the Company has a precise management system, which will greatly help to improve the Company’s overall competitiveness in the future.

(ii) Good relationship with suppliers and vendors

The Company has a good long-term cooperative relationship with its suppliers, a full grasp on product quality, and delivery schedule to fulfill customers' needs. At the same time, it improves the cost structure through effective design methods, which has a positive impact on the Company’s business development and profits.

(iii) Providing complete sales service

The Company designs the required products according to customers’ needs, commission the foundry to manufacture them, sell them to customers after testing, and provide customers with technical consultation and support services on the use of the products to meet customers’ needs with complete sales services.

(iv) Working with customers to develop product specifications

The Company will discuss and jointly define product specifications with customers before product design to design customized products that meet customers' needs and gain customer recognition with leading design methods in the industry.

F. Favorable and unfavorable factors for development prospects and response measures

(i) Favorable factors

a. Memory market demand continues to grow

People's lifestyle have changed since the global pandemic, such as "no-contact" protocol, remote learning and working, online shopping and ordering, which have generated a strong demand for mobile devices. Meanwhile, the market offer IoT applications like modems, wearables, and smart home is also believed to have promising growth. All these products will require low-power customized memory. Meanwhile, as AI model size is increasing rapidly, both cloud servers and edge devices need more computing performance, demanding higher memory density and bandwidth at the same time. Therefore, as the demand for memory is expected to grow consistently, the Company is confident to seize upcoming opportunities with competitive product portfolio in IoT applications and the leading technologies for AI applications.

b. Domestic semiconductor industry's division of labor model is comprehensive, providing IC design companies with sufficient logistical support

Taiwan is the epicenter of the world's leading foundry, with a high market share, high capacity utilization, and complete process technology and experience. Taiwan's semiconductor industry is unique in the world with its vertical division of labor in upstream and downstream, and the value chain of the entire IC industry is well-structured with very fine specialization, resulting in an comprehensive industrial cluster effect, which gives the Company's products a certain advantage in terms of timing and cost control.

c. Research and development personnel are familiar with industry technology and have strong R&D capabilities

As a professional memory IC design company, the Company's R&D team has extensive practical experience, and thus the Company can adjust its product portfolio in accordance with the changing market trend. While continuing to increase the application of existing memory products and extend existing technologies. The Company has started to develop silicon capacitor products by leveraging the stack capacitor structure to replace the traditional deep trench etching (Deep Trench) method to develop and design silicon capacitor products to meet the needs of high-end mobile phones and high-performance computing chips.

d. Maintain good relationship with global information companies

The company's main customers are world-renowned mobile communication chip manufacturers. As the company continues to meet customers' customized needs timely, we have established a long-term and stable mutually beneficial relationship with them, which is extremely helpful to the company's business expansion.

(ii) Unfavorable factors and response measures

a. Rapid market changes

As the technology of information and electronic products continue to upgrade, if the future trend of the industry is misjudged, it will lead to a backlog of inventory and generate operational risks.

Response measures:

① Maintain a good interactive relationship with suppliers and customers, and have first-line contact with customers through business and field application support personnel to help grasp market trends and product pulses.

② Regularly hold management meetings to determine sales plans and revise sales forecasts based on sales, order placement, inventory, etc., with the goal of achieving accurate sales forecasts.

③ Continuously develop new products and innovate functions to understand the product direction of world-class manufacturers and gain market opportunities.

b. DRAM foundry capacity tightens as market competition grows increasingly fierce

Powerchip Semiconductor Manufacturing Co., Ltd. is s currently the only DRAM foundry of the Company. With competitors and increasingly fierce market competition making product prices more volatile, if coupled with the rising cost of foundry, it will lead to relatively higher operating risks.

Response measures:

① Continuously innovate products and functions, and conduct feasibility assessments for vertical and horizontal integration to create added value to its products. Also, explore and develop innovative non-memory technologies and products by leveraging existing expertise and capabilities.

② Continuously improve product design models, so to increase the reusability of design modules, shorten development and reduce costs, and increase competitiveness.

③ Shorten product development time by integrating R&D and cooperation.

④ Strengthen the training of talents to enhance R&D capabilities to cope with the speed of product changes.

c. Products are mainly for exports and subject to the risk of exchange rate fluctuations

Most of the Company's products are exported to Asia, and the prices are mainly denominated in U.S. dollars, so exchange rate changes will affect the Company's profit.

Response measures:

The company mainly engages in R&D, sales and design services for customized memory-related integrated circuit chips, which are used as cache memory in various mobile devices and edge computing devices, and have characteristics such as small size, low power consumption, and high performance product features.

(2) Key applications and production processes of main products

A. Key applications of main products

The Company is mainly to R&D and sell the research and development of customized mobile memory-related integrated circuit chips, which can be used as the cache memory of various mobile devices, and have product features such as small size and low power consumption. The Company's sales and design services are for the cache memory in various mobile devices and edge computing devices, which have product features such as small size, low power consumption, and high performance.

B. Production process

The Company is a professional IC design company, and the IC chips it developed are commissioned to foundries and testing and packaging houses for production according to each manufacturing process. The flow chart of the product manufacturing process is as follows:

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

(3) Supply of major raw materials

Major material	Company	Status
Wafer	Company A	Good

(4) Information on the major suppliers and customers

A. The names and procurement values and percentages of suppliers whose procurement accounted for more than 10% of the total procurement in any of the last two years. The reason for the increase and decrease should also be provided.

Unit: In thousands of NTD

	2022				2023				As of the first quarter-end of 2024			
	Name	Amount	As a % of the annual net purchase	Note	Name	Amount	As a % of the annual net purchase	Note	Name	Amount	As a % of the net purchase in the period	Note
1	CompanyA	2,209,030	100.00%	—	CompanyA	1,269,571	100.00%	—	CompanyA	354,234	100.00%	—
Net purchase		2,209,030	100.00%			1,269,571	100.00%			354,234	100.00%	

Note: Relationship with the Company

Change analysis:

In 2022, in the semiconductor industry, there was a shift from supply shortages in the first half of the year to inventory buildup and weak demand in the second half. Our company was significantly affected by this dramatic industry shift, resulting in inventory accumulation and operational impacts. Therefore, in 2023, overall procurement demand saw a substantial decrease, aiming to reduce inventory to safe levels.

B. The names and sales values and percentages of customers whose sales accounted for more than 10% of the total sales in any of the last two years. The reason for the increase and decrease should also be provided.

Unit: In thousands of NTD

	2022				2023				As of the first quarter-end of 2024			
Item	Name	Amount	As a % of the annual net sales	Note	Name	Amount	As a %e of the annual net sales	Note	Name	Amount	As a % of the net sales in the period	Note
1	Customer C	853,139	16.75%	—	Customer A	1,235,554	29.23%	—	Customer A	96,145	12.86%	—
2	Customer D	736,218	14.45%	—	Customer D	691,676	16.36%	—	—	—	—	—
3	Other	3,505,418	68.80%	—	Other	2,299,677	54.41%	—	Other	651,713	87.14%	—
Net sales		5,094,775	100.00%			4,226,907	100.00%			747,858	100.00%	

Remark: Customers with sales of less than 10% of net sales are classified as other

Note: Relationship with the Company

Change analysis:

The end-market demand for each product line in our company has experienced significant fluctuations across quarters due to the global semiconductor industry's inventory overhang and varying progress in inventory reduction among companies. Additionally, our AI division was affected by the downturn in the cryptocurrency market in the 2023, resulting in fluctuations in the proportion of business from major customers.

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

Unit: Thousand Pcs; In thousands of NTD

Year/ Production volume and value / Main products	2022			2023		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Memory IC chip	(Note)	499,434	2,941,694	(Note)	727,039	2,126,564
Total	(Note)	499,434	2,941,694	(Note)	727,039	2,126,564

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

Change analysis:

In 2023, our company experienced an increase in overall production volume due to changes in product mix. However, the production of wafers for AI VHM™ was reduced as a result of the cryptocurrency market downturn. This decline in production directly affected our revenue performance.

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

Unit: Thousand Pcs; In thousands of NTD

Year/ Sales volume and value / Main Products	2022				2023			
	Domestic Sales		Exports		Domestic Sales		Exports	
	Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value
Memory IC chip	58,113	464,632	419,759	4,181,749	73,425	346,178	671,209	3,555,827
Service revenue	—	72,447	—	204,798	—	89,970	—	115,754
License and Royalty revenue	—	12,266	—	140,185	—	13,687	—	76,527
Other revenue	173	758	2,274	17,940	929	5,778	4,228	23,186
Total	58,286	550,103	422,033	4,544,672	74,354	455,613	675,437	3,771,294

Change analysis:

In 2023, our revenue decreased by 17% compared to 2022, mainly due to customer inventory adjustments and a reduction in AI wafer sales caused by the downturn in the cryptocurrency market. And exports still accounted for around 90% of our revenue, with export volume increasing by 60%. However, due to significant differences in product mix between two years, the total export revenue decreased by 17%.

3.Number of employees in the last two years

Unit: Number of persons; years; %

Year		2022	2023	March 31, 2024
Number of employees	Direct (Note)	—	—	—
	Indirect	185	197	205
	Total	185	197	205
Average age		37.7	38.5	38.4
Average service years (years)		3.5	3.9	3.9
Educational distribution ratio (%)	Ph.D.	2.7	3.1	2.5
	Master's	51.6	54.3	54.6
	University/College	45.7	42.6	42.9
	High school	—	—	—
	Below high school	—	—	—

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

4.Information on environmental protection expenses

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

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

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

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

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

5. Labor-management relationship

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

A. Various employee benefits, education and training programs

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

B. Retirement system and implementation

In accordance with the Labor Pension Act, the Company contributes no less than 6% of the monthly wages to the Labor Pension Account and applies for retirement in accordance with the Pension Act and the relevant provisions of the Company's personnel management regulations.

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

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

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

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

6.Material contracts

Nature of Contract	Contracting Parties	Term	Summary	Restrictions
Supply and Sales of Products	Customer Q	2022/11/01 ~ 2023/12/31	The terms of customer's commitment to purchase APM products.	None
Supply and Sales of Products	Customer T	Effective from 2023/11/30	The terms of customer's purchase of APM products.	None
Sales Representative	Rep U	Effective from 2023/01/01	To enable a new sales representative to solicit orders from potential customers and to monitor market trends in Japan.	None
VHMLInK™ License Agreement	Customer B	Effective from 2023/04/01	APM licenses its VHMLInK™ IP to licensee, enabling licensee to purchase APM products for incorporating in licensee products.	None
SiCAP License Agreement	Customer P	Effective from 2023/02/20	Licenses terms and conditions of APM IP to design and manufacture silicon capacitor with memory process.	None
Software License	Vendor T	2024/01/01 ~ 2026/12/31	License terms and conditions of operation related software.	None
Cyber Security	Vendor G	2023/07/01 ~ 2024/06/30	License terms and conditions of endpoint detection and response software.	None
Facility Maintenance	Vendor S	2023/06/01 ~ 2024/05/31	Maintenance agreement of testers.	None
Office Leasing	Tai Yuen Textile Co., Ltd.	2023/11/16～2026/11/15	Office Leasing	None
Comprehensive Credit	Mega International Commercial Bank Co., Ltd.	2023/03/07～2024/03/06	Comprehensive credit line allowed for use of facilities procurement.	None
Stock Purchase	Major shareholder of the company	Effective from 2023/11/13	Terms and conditions of APM's acquisition of 4 million shares of M3 Technology Inc.	None

7.Cyber Security Management

(1) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management:

A. Framework of security risk management of Cyber Security:

From 2020, our senior managers have been involved in the planning and development of cyber security projects to review the security risks and propose countermeasures. In addition, in order to improve the governance structure and comply with regulations, the Company forms the cyber security organization by the end of 2023 to coordinate the formulation and implementation of information security-related policies and report the results to the Board of Directors on a regular basis.

B. Cyber Security Polices: To protect the information and communication of the company and its partners, and to reduce the possibility of threats, destruction, tampering, and theft by all parties that may affect correctness of financial information then to achieve the goal of sustainable operation.

C. Management Solutions:

(i) Risk assessment: The implementation of information security risk assessment platform and cooperate with external professional consultant to verify the security of the information communication regularly.

(ii) Continuously enhance the ability to protect information and community security: strengthen the firewall and endpoint control equipment to detect abnormal intrusion and other defense mechanisms.

(iii) Appropriate authorization management: including control to approach physical server room systems and information environments, Periodic review of personnel and revision of authorization of accounts, applications and databases

(iv) Periodically education and drills: Through education and training, social engineering drills and disaster recovery drills for important systems, we will strengthen the awareness of cyber security and confidential information protection.

D. Resources for Cyber Security management:

(i) Training: All employees are required to have Cyber Security education training.

(ii) Information of Cyber Security: Besides announcing the "Cyber Security Management Regulations", delivering security-related information is sent from time to time.

(2) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

VI Financial overview

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

(1) Summary balance sheet

A. Consolidated summary balance sheet

Unit: In thousands of NTD

Item \ Year		Financial information for the last five years: 2019	2020	2021	2022	2023	Financial information for the current year as of March 31, 2024
Current assets		2,428,115	3,310,027	5,124,533	10,446,618	10,390,647	10,762,099
Property, plant and equipment		14,854	8,009	81,399	80,634	76,438	69,336
Intangible assets		183,913	35,103	16,978	21,711	76,363	70,100
Other assets		550,143	630,261	1,055,733	1,142,348	1,970,143	1,906,536
Total assets		3,177,025	3,983,400	6,278,643	11,691,311	12,513,591	12,808,071
Current liabilities	Pre-distribution	807,128	855,107	1,399,840	672,490	1,088,279	2,084,963
	Post-distribution	880,810	1,225,480	2,368,115	1,804,948	2,223,386 Note	—
Non-current liabilities		207,340	25,323	83,848	68,254	103,518	97,261
Total liabilities	Pre-distribution	1,014,468	880,430	1,483,688	740,744	1,191,797	2,182,224
	Post-distribution	1,088,150	1,250,803	2,451,963	1,873,202	2,326,904 Note	—
Total equity attributable to owners of parent company		2,162,557	3,102,970	4,794,955	10,950,567	11,321,794	10,625,847
Share capital		738,535	742,848	746,997	808,634	811,759	811,749
Capital reserve		838,388	1,020,722	1,054,788	6,178,947	6,234,430	6,301,073
Retained earnings	Pre-distribution	602,576	1,340,604	2,995,688	3,963,436	4,275,948	3,509,296
	Post-distribution	528,894	970,231	2,027,413	2,830,978	3,140,841 Note	—
Other equity		(5,696)	10,042	8,728	(450)	(343)	3,729
Treasury shares		(11,246)	(11,246)	(11,246)	—	—	—
Non-controlling interests		—	—	—	—	—	—
Total equity	Pre-distribution	2,162,557	3,102,970	4,794,955	10,950,567	11,321,794	10,625,847
	Post-distribution	2,088,875	2,732,597	3,826,680	9,818,109	10,186,687 Nox	—

Note: The cash dividends for the year 2023 have been approved by the Board of Directors, but have yet to be reported to the 2024 Annual General Shareholders' Meeting.

B. Parent company only summary balance sheet

Unit: In thousands of NTD

Item / Year		Financial information for the last five years				
		2019	2020	2021	2022	2023
Current assets		1,918,633	2,207,230	4,899,154	10,235,349	10,243,376
Investments accounted for using equity method		739,136	1,103,817	329,481	340,929	269,707
Property, plant and equipment		9,816	5,723	80,347	79,251	75,078
Intangible assets		28,858	13,973	6,098	4,106	62,559
Other assets		437,700	520,609	935,459	996,798	1,831,720
Total assets		3,134,143	3,851,352	6,250,539	11,656,433	12,482,440
Current liabilities	Pre-distribution	769,094	723,463	1,371,736	641,080	1,057,128
	Post-distribution	842,776	1,093,836	2,340,011	1,773,538	2,192,235 Note
Non-current liabilities		202,492	24,919	83,848	64,786	103,518
Total liabilities	Pre-distribution	971,586	748,382	1,455,584	705,866	1,160,646
	Post-distribution	1,045,268	1,118,755	2,423,859	1,838,324	2,295,753 Note
Total equity attributable to owners of parent company		2,162,557	3,102,970	4,794,955	10,950,567	11,321,794
Share capital		738,535	742,848	746,997	808,634	811,759
Capital reserve		838,388	1,020,722	1,054,788	6,178,947	6,234,430
Retained earnings	Pre-distribution	602,576	1,340,604	2,995,688	3,963,436	4,275,948
	Post-distribution	528,894	970,231	2,027,413	2,830,978	3,140,841 Note
Other equity		(5,696)	10,042	8,728	(450)	(343)
Treasury shares		(11,246)	(11,246)	(11,246)	—	—
Non-controlling interests		—	—	—	—	—
Total equity	Pre-distribution	2,162,557	3,851,352	4,794,955	10,950,567	11,321,794
	Post-distribution	2,088,875	3,480,979	3,826,680	9,818,109	10,186,687 Note

Note: The cash dividends for the year 2023 have been approved by the Board of Directors, but have yet to be reported to the 2024 Annual General Shareholders' Meeting.

(2) Summary comprehensive income statement

A. Consolidated summary comprehensive income statement

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

Item \ Year	Financial information for the last five years					Financial information for the current year as of March 31, 2024
	2019	2020	2021	2022	2023	
Operating revenue	3,416,669	3,549,497	6,617,215	5,094,775	4,226,907	747,858
Operating gross profit	480,641	1,025,671	3,025,608	2,221,394	1,755,006	344,526
Operating profit and loss	(7,343)	519,746	2,370,157	1,500,520	852,781	105,633
Non-operating revenue and expenses	(347,014)	420,609	144,109	948,763	766,200	363,834
Net income (loss) before tax	(354,357)	940,355	2,514,266	2,449,283	1,618,981	469,467
Continuing operations' current income (loss) before tax	(322,973)	815,370	2,025,457	1,941,696	1,444,970	368,455
Loss from discontinued operation	(72,092)	5,613	—	—	—	—
Net income (loss) for current period	(395,065)	820,983	2,025,457	1,941,696	1,444,970	368,455
Other comprehensive income(loss) for the current period	(1,351)	11,060	(1,314)	4,265	107	4,072
Current total comprehensive income (loss)	(396,416)	832,043	2,024,143	1,945,961	1,445,077	372,527
Net income (loss) attributed to stockholders of the parent company	(395,065)	811,710	2,025,457	1,941,696	1,444,970	368,455
Net income (loss) attributed to non-controlling interests	—	9,273	—	—	—	—
Comprehensive income (loss) attributed to stockholders of the parent company	(396,416)	822,735	2,024,143	1,945,961	1,445,077	372,527
Comprehensive income (loss) attributed to non-controlling interests	—	9,308	—	—	—	—
Earnings (loss) per share [Note]	(2.67)	5.50	13.67	12.09	8.93	2.27

Note: In October, 2021, the par value of the stock was changed from NT$10 to NT$5.00 per share, which was retroactively adjusted for the purpose of calculating earnings per share.

B. Parent company only summary comprehensive income statement

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

Item \ Year	Financial information for the last five years				
	2019	2020	2021	2022	2023
Operating revenue	3,294,736	3,535,263	6,461,280	4,971,181	4,114,977
Operating gross profit	294,485	985,579	2,867,926	2,107,359	1,645,381
Operating profit and loss	(125,119)	534,198	2,321,676	1,497,272	912,936
Non-operating revenue and expenses	(300,973)	341,169	191,444	953,040	704,491
Net income (loss) before tax	(426,092)	875,367	2,513,120	2,450,312	1,617,427
Continuing operations' current income (loss) before tax	(395,065)	811,710	2,025,457	1,941,696	1,444,970
Loss from discontinued operation	—	—	—	—	—
Net income (loss) for current period	(395,065)	811,710	2,025,457	1,941,696	1,444,970
Other comprehensive income (loss) for the current period	(1,351)	11,025	(1,314)	4,265	107
Current total comprehensive income (loss)	(396,416)	822,735	2,024,143	1,945,961	1,445,077
Net income (loss) attributed to stockholders of the parent company	(395,065)	811,710	2,025,457	1,941,696	1,444,970
Net income (loss) attributed to non-controlling interests	—	—	—	—	—
Comprehensive income (loss) attributed to stockholders of the parent company	(396,416)	822,735	2,024,143	1,945,961	1,445,077
Comprehensive income (loss) attributed to non-controlling interests	—	—	—	—	—
Earnings (loss) per share Note	(2.67)	5.50	13.67	12.09	8.93

Note: In October, 2021, the par value of the stock was changed from NT$10 to NT$5.00 per share, which was retroactively adjusted for the purpose of calculating earnings per share.

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

Year	Accounting firm	CPAs	Audit opinions
2019	Deloitte & Touche, Taiwan	Chiu, Zheng-Jun & Wu, Shi-Zong	Standard unqualified opinions
2020	Deloitte & Touche, Taiwan	Chiu, Zheng-Jun & Wu, Shi-Zong	Standard unqualified opinions
2021	Deloitte & Touche, Taiwan	Chien, Ming Yen & Chiu, Zheng-Jun	Standard unqualified opinions
2022	Deloitte & Touche, Taiwan	Chien, Ming Yen & Chiu, Zheng-Jun	Standard unqualified opinions
2023	Deloitte & Touche, Taiwan	Chien, Ming Yen & Jhuang,Bi-Yu	Standard unqualified opinions

2. Financial analysis in the last five years

(1) Consolidated financial analysis

Item	Year	2019	2020	2021	2022	2023	Financial information for the current year as of March 31, 2024
		Financial information for the last five years					
Financial structure	Debt ratio (%)	31.93	22.10	23.63	6.34	9.52	17.04
	Long-term capital ratio (%)	15,954.60	39,059.72	5,993.69	13,665.23	14,947.16	15,465.43
Solvency ratios	Current ratio (%)	300.83	387.09	366.08	1,553.42	954.78	516.18
	Quick ratio (%)	157.13	313.06	243.81	1,318.14	871.47	469.96
	Times interest earned	(7,806)	33,648	128,971	156,105	92,931	50,418
Operating performance	Accounts receivable turnover (times)	5.05	5.97	9.08	6.82	6.85	5.99
	Days' sales in accounts receivable	73	62	41	54	54	61
	Inventory turnover	1.67	2.36	2.76	1.65	1.81	1.44
	Accounts payable turnover ratio	6.23	9.27	8.58	7.66	12.20	6.35
	Days' sales in inventory	220	155	133	222	202	254
	Fixed asset turnover ratio (times)	118.55	310.50	148.02	62.89	53.82	41.04
	Total assets turnover ratio (times)	0.97	0.99	1.29	0.57	0.35	0.24
Profitability	Return on total assets (%)	(11.12)	22.99	39.51	21.62	11.95	11.66
	Return on equity attributed to the owners of the parent company (%)	(16.46)	31.18	51.29	24.66	12.98	13.43
	Profit before tax to capital stock (%)	(47.98)	126.68	337.88	303.21	199.87	231.56
	Net profit margin (%)	(11.56)	23.13	30.61	38.11	34.19	49.27
	Earnings per share (NTD) (Remark)	(2.67)	5.50	13.67	12.09	8.93	2.27
Cash flow	Cash flow ratio (%)	38.10	—	172.23	234.15	187.76	32.45
	Cash flow adequacy ratio (%)	43.95	41.18	96.99	112.01	168.70	174.27
	Cash flow reinvestment ratio (%)	10.86	—	41.01	5.44	7.85	6.21
Leverage	Operating leverage	—	1.77	1.25	1.35	1.74	2.72
	Financial leverage	0.62	1.01	1.00	1.00	1.00	1.01

Note: In October, 2021, the par value of the stock was changed from NT$10 to NT$5.00 per share, which was retroactively adjusted for the purpose of calculating earnings per share.

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

1. The Debt ratio increased by 50%: By the end of 2023, our company utilized short-term borrowing facilities and increased wafer production to rebuild appropriate inventory levels. This led to a 70% increase in accounts payable, resulting in an overall increase in the debt ratio.
2. The current ratio and quick ratio decreased by 39% and 34% respectively: By the end of 2023, our company utilized short-term borrowing facilities and increased wafer production to rebuild appropriate inventory levels. This resulted in a 70% increase in accounts payable, leading to reductions in both the current ratio and quick ratio.
3. The times interest earned decreased by 40%: In 2023, the semiconductor industry had not fully recovered, leading to weaker profitability compared to 2022. This resulted in a decrease in the interest coverage ratio.
4. The accounts payable turnover ratio increased by 59%: In 2023, the average accounts payable decreased compared to 2022. This decrease was mainly due to a significant increase in accounts payable in the latter half of 2021 due to stocking demand. As a result, the accounts payable turnover ratio increased by 59%.
5. The total asset turnover ratio decreased by 38%: In 2023, due to the semiconductor industry's incomplete recovery, our revenue performance was weaker compared to 2022. This resulted in a decrease in the total asset turnover ratio.
6. The return on total assets decreased by 45%, return on equity decreased by 47%, profit before tax to capital stock decreased by 34%, and earnings per share decreased by 26%: In 2023, due to the semiconductor industry's incomplete recovery, our revenue and profitability were weaker compared to 2022. This resulted in declines across various profitability ratios, reflecting reduced profitability performance.

7. The Cash flow liquidity ratio increased by 51%, and the cash reinvestment ratio increased by 44%: In 2023, despite weaker profitability compared to the previous year, the significant net cash inflow from operating activities, driven by inventory reduction and receipt of interest income, resulted in a substantial increase in cumulative net cash inflow over the past five years. Therefore, both the cash liquidity ratio and cash reinvestment ratio increased.
8. The operating leverage increased by 29%: In 2023, operating expenses significantly increased due to higher employee headcount and continued investments in research and development projects. Additionally, the gross profit margin decreased due to product mix effects. Combined with the overall decline in revenue, this led to a substantial decrease in operating profit, resulting in an increase in operating leverage.

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

1. The Debt ratio increased by 79%: The total assets of our company at the end of the first quarter of 2024 are equivalent to those at the end of 2023. However, the total liabilities increased due to the provision of a dividend payable of 1.14 billion dollars, resulting in a significant rise in the debt ratio.
2. The current ratio and quick ratio decreased by 46%: The increase in liabilities due to the provision of a dividend payable of 11.4 billion dollars has led to a significant decrease in both the current ratio and the quick ratio.
3. The times interest earned decreased by 46%: In the fourth quarter of 2023, we utilized borrowing facilities to meet short-term NTD requirements, resulting in increased interest expenses for the first quarter of 2024 when viewed on a quarterly basis. Additionally, the first quarter of 2024 falls within the traditional slow season, and our profitability was affected by customer inventory adjustments, leading to a decrease in times interest earned.
4. The inventory turnover decreased by 21%, accounts payable turnover ratio decreased by 48%, and days' sales in inventory increased by 26%: In the first quarter of 2024, which is traditionally a slow season, our revenue and cost of goods sold were relatively lower due to customer inventory adjustments. As a result, our inventory turnover decreased, and the days' sales in inventory increased. This also led to a decrease in accounts payable turnover ratio.
5. The fixed asset turnover ratio decreased by 24%, the total assets turnover ratio decreased by 32%: The average net fixed assets and average total assets did not change significantly; however, the turnover ratio decreased significantly due to the reduced revenue base.
6. The net profit margin increased by 44%: In the first quarter of 2024, which is traditionally a slow season, our profitability was affected by customer inventory adjustments. However, we benefited from non-operating interest income and exchange gains, which contributed positively to our net profit for the period. Additionally, due to the lower revenue base in the first quarter, our net profit margin increased.
7. Cash flow ratio and Cash flow reinvestment ratio decreased: The net cash inflow from operating activities was mainly influenced by the actual profitability conditions, leading to a decrease in the cash flow ratio and the cash reinvestment ratio.
8. Operating leverage increased by 56%: In the first quarter of 2024, revenue declined due to customer inventory adjustments. Additionally, operating expenses increased because of ongoing investments in research and development projects and manpower, resulting in a higher operating expense ratio. Consequently, the amount of operating profit was lower, leading to a significant increase in operating leverage.

(2) Parent company only financial analysis

Item		Year: Financial information for the last five years				
		2019	2020	2021	2022	2023
Financial structure	Debt ratio (%)	31.00	19.43	23.29	6.06	9.30
	Long term funds to fixed assets ratio (%)	24,093.82	54,654.71	6,072.17	13,899.32	15,217.92
Solvency ratios	Current ratio (%)	249.47	305.09	357.15	1,596.58	968.98
	Quick ratio (%)	121.28	218.64	233.01	1,350.83	883.65
	Times interest earned	(11,995)	50,787	139,254	182,823	105,745
Operating performance	Accounts receivable turnover (times)	6.12	5.10	8.02	6.75	6.36
	Days' sales in accounts receivable	60	72	46	55	58
	Inventory turnover	2.04	2.60	2.76	1.64	1.81
	Accounts payable turnover ratio (times)	4.55	7.99	8.68	7.64	12.19
	Days' sales in inventory	179	140	132	223	202
	fixed asset turnover ratio (times)	154.74	455.02	150.14	62.30	53.33
	Total assets turnover ratio (times)	0.93	1.01	1.28	0.56	0.34
Profitability	Return on total assets (%)	(11.02)	23.28	40.13	21.70	11.98
	Return on equity (%)	(16.46)	30.83	51.29	24.66	12.98
	Profit before tax to capital stock (%)	(57.69)	117.92	337.72	303.34	199.68
	Net profit margin (%)	(11.99)	22.96	31.35	39.06	35.11
	Earnings per share (NTD) (Remark)	(2.67)	5.50	13.67	12.09	8.93
Cash flow	Cash flow ratio (%)	—	10.89	130.04	241.74	186.23
	Cash flow adequacy ratio (%)	34.71	34.07	74.44	87.28	144.02
	Cash flow reinvestment ratio (%)	—	0.16	28.43	5.22	7.21
Leverage	Operating leverage	—	1.51	1.20	1.27	1.52
	Financial leverage	0.97	1.00	1.00	1.00	1.00

Note: In October, 2021, the par value of the stock was changed from NT$10 to NT$5.00 per share, which was retroactively adjusted for the purpose of calculating earnings per share.

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

1. The Debt ratio increased by 54%: By the end of 2023, our company utilized short-term borrowing facilities and increased wafer production to rebuild appropriate inventory levels. This led to a 70% increase in accounts payable, resulting in an overall increase in the debt ratio.
2. The current ratio and quick ratio decreased by 39% and 35% respectively: By the end of 2023, our company utilized short-term borrowing facilities and increased wafer production to rebuild appropriate inventory levels. This resulted in a 70% increase in accounts payable, leading to reductions in both the current ratio and quick ratio.
3. The times interest earned decreased by 42%: In 2023, the semiconductor industry had not fully recovered, leading to weaker profitability compared to 2022. This resulted in a decrease in the interest coverage ratio.
4. The accounts payable turnover ratio increased by 60%: In 2023, the average accounts payable decreased compared to 2022. This decrease was mainly due to a significant increase in accounts payable in the latter half of 2021 due to stocking demand. As a result, the accounts payable turnover ratio increased by 60%.
5. The total asset turnover ratio decreased by 39%: In 2023, due to the semiconductor industry's incomplete recovery, our revenue performance was weaker compared to 2022. This resulted in a decrease in the total asset turnover ratio.
6. The return on total assets decreased by 45%, return on equity decreased by 47%, profit before tax to capital stock decreased by 34%, and earnings per share decreased by 26%: In 2023, due to the semiconductor industry's incomplete recovery, our revenue and profitability were weaker compared to 2022. This resulted in declines across various profitability ratios, reflecting reduced profitability performance.
7. The Cash flow ratio decreased by 23%, Cash flow liquidity ratio increased by 65%, and the cash reinvestment ratio increased by 38%: In 2023, despite weaker profitability compared to the previous year, the significant net cash inflow from operating activities, driven by inventory reduction and receipt of interest income, resulted in a substantial increase in cumulative net cash inflow over the past five years. Therefore, both the cash liquidity ratio and cash reinvestment ratio increased.
8. The operating leverage increased by 20%: In 2023, operating expenses significantly increased due to higher employee headcount and continued investments in research and development projects. Additionally, the gross profit margin decreased due to product mix effects. Combined with the overall decline in revenue, this led to a substantial decrease in operating profit, resulting in an increase in operating leverage.

The above financial ratios are calculated as follows:

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

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

Audit Committee’s Audit Report

To: 2024 Shareholders’ Meeting of AP Memory Technology Corporation

The Board of Directors produced and submitted the Company’s 2023 Business Report, financial statements and earnings distribution proposal. The financial statements were audited by Deloitte & Touche, Taiwan, and an audit report was issued. The aforementioned Business Report, financial statements and earnings distribution proposal have been reviewed by the Audit Committee and there is no discrepancy found. It is reported as above for your review, in accordance with the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Convener of Audit Committee: Yeh, Jui-Pin

March 1, 2024

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

Please refer to pages 95 to 167.

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

Please refer to pages 168 to 251.

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

The Company and its affiliated companies did not experience any financial difficulties in 2023 and as of the printing date of the annual report.

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

1. Financial status

Unit: In thousands of NTD；%

Item \ Year	2022	2023	Difference	
			Amount	%
Current assets	10,446,618	10,390,647	(55,971)	(1)
Property, plant and equipment	80,634	76,438	(4,196)	(5)
Intangible assets	21,711	76,363	54,652	252
Other assets	1,142,348	1,970,143	827,795	72
Total assets	11,691,311	12,513,591	822,280	7
Current liabilities	672,490	1,088,279	415,789	62
Non-current liabilities	68,254	103,518	35,264	52
Total liabilities	740,744	1,191,797	451,053	61
Share capital	808,634	811,759	3,125	0
Capital reserve	6,178,947	6,234,430	55,483	1
Retained earnings	3,963,436	4,275,948	312,512	8
Other equity	(450)	(343)	107	(24)
Total shareholders' equity	10,950,567	11,321,794	371,227	3

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

(1) Increase in intangible assets: The increase in intangible assets is primarily due to the acquisition of technology licenses related to research and development activities.

(2) Increase in other assets: The increase in other assets is mainly due to the significant rise in financial assets measured at fair value through profit or loss, resulting from our investment in M3Tek.

(3) Increase in current liabilities, non-current liabilities, and total liabilities: By the end of 2023, our company utilized short-term borrowing facilities, leading to an increase in current liabilities. Additionally, the increase in DTL due to temporary differences related to the valuation gains on financial assets contributed to the rise in overall liabilities, including both current and non-current liabilities.

2. Financial performance

(1) The main reasons for the significant changes in operating revenue, operating net profit and income before tax in the past two years.

Unit: In thousands of NTD；%

Item / Year	2022	2023	Increase (decrease)	Change ratio (%)
Net operating revenue	5,094,775	4,226,907	(867,868)	(17)
Operating costs	2,873,381	2,471,901	(401,480)	(14)
Gross profit	2,221,394	1,755,006	(466,388)	(21)
Operating expenses	720,874	902,225	181,351	25
Net operating profit	1,500,520	852,781	(647,739)	(43)
Non-operating revenue and expenses	948,763	766,200	(182,563)	(19)
Income before income tax	2,449,283	1,618,981	(830,302)	(34)
Income tax expenses	507,587	174,011	(333,576)	(66)
Net income	1,941,696	1,444,970	(496,726)	(26)
Other comprehensive income	4,265	107	(4,158)	(97)
Total comprehensive income	1,945,961	1,445,077	(500,884)	(26)

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

(1) Decrease in gross profit: The overall decrease in gross profit is attributed to both the decline in revenue and a decrease in gross profit margin due to changes in the product mix.

(2) Increase in operating expenses: The increase in operating expenses is primarily due to higher employee headcount and continued investments in research and development projects.

(3) Decrease in net operating profit, Income before income tax, net profit, and comprehensive income for the period: The declines in revenue, gross profit margin, and increase in operating expenses collectively contributed to the decrease in these profitability measures.

(2) The expected sales volume and its basis, the possible impact on the Company's future financial business, and the response plan:

A. Expected sales volume and its basis

The Company's annual targets are set based on customers' estimated demand, taking into account the overall market environment, capacity planning and past historical experience. The Company continues to research and develop new products to meet market demand for new products in order to expand its product lines and increase revenue streams. The Company will continue to adjust its operating strategy to match its sales forecast and product development plan, and further control the reasonable inventory level.

B. Possible impact on the Company's future financial business, and the response plan

Based on the estimated sales information provided by the sales and marketing unit, together with the order scheduling of the production operation and yield information of quality control, costs and expenses are estimated to further utilize the production capacity and financial capital effectively to meet the needs of business growth.

3. Cash flows

(1) Analysis of changes in cash flows in the most recent year

Unit: In thousands of NTD

Item \ Year	2022	2023	Increase (decrease)
Operating activities	1,574,634	2,043,301	468,667
Investing activities	(67,287)	(506,148)	(438,861)
Financing activities	4,154,688	(853,127)	(5,007,815)
Impact of exchange rate changes	2,950	(2,242)	(5,192)
Net cash inflow	5,664,985	681,784	(4,983,201)

Analysis of changes in cash flows:

(1) Increase in net cash inflow from operating activities: Despite the decline in profitability in 2023, the net cash inflow from operating activities increased due to significant inventory reduction and receipt of cash from interest income.

(2) Increase in net cash outflow from investing activities: This increase is primarily attributed to the acquisition of M3Tek, which required significant cash outflow for investment purposes.

(3) The cash outflow from financing activities was mainly driven by the distribution of cash dividends to shareholders.

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

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

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

The demand in the global semiconductor industry in 2021 far exceeds the existing supply, the shortage of supply will not only impact the company's foundry production capacity, but also the wafer testing capacity. Under the consideration of the Company's overall capacity and demand, the company purchased some testing machines to meet the strong demand pull from end customers in 2021 and 2023. And the company raised fund from issuing new shares for GDR in Jan./2022, total amounts was US$ 190 million dollars. The company will use part of these fund to purchase hi-tech testing equipment in next three years.

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

(1) Investment policy

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

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

Unit: In thousands of NTD

Invested company	Recognized profit (loss) for 2023	Main reasons	Improvement plan
AP Memory Corp, USA	(5,594)	This subsidiary mainly focuses on the research and development of new products and new projects. The Company pays technical service fees to the subsidiary to cover its related expenses.	Continue to evaluate the subsidiary's needs of daily working capital and expenses.

Invested company	Recognized profit (loss) for 2023	Main reasons	Improvement plan
AP Memory Technology (Hangzhou) Co. Limited	(51,917)	Provide local pre-sales and post-sales services to existing and potential customers in China, and develop products suitable for the local market. It has been the main distribution base in China since last year. The operating expense in year 2023 was higher than that in year 2022.	Will expand the scale revenue and service, and control the operating expense.
AP Memory Technology (Hong Kong) Co. Limited	(12,481)	The revenue in year 2023 was lower than that in year 2022.	Continue to explore the Chinese market for development opportunities, gradually increasing local market penetration. Will expand the scale of revenue.
Zentel Electronics Corporation	-	The liquidation process was completed on January 12th, 2023.	The liquidation process was completed on January 12th, 2023.
APware Technology Corp.	-	To support the growth of our invested enterprises and future operational plans.	The company has not started the operation.
VIVR Corporation	(1,065)	The company focus on the design service of PMIC and provides design service to AP Memory Technology Corporation.	The company will continue to expand markets for other types of products and actively invest in the research and development of new products.
CascadeTeq Inc.	(3,879)	Continuously expanding our market presence and developing our customer base, our current scale of revenue is not yet sufficient.	Will continue to explore the market and develop the customers for the group's package products.

(3) Investment plan for the coming year

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

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

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

A. Changes in interest rate

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

The Company's daily operating turnover is mainly using its own funds. The interest expenses amounted to NT$1,570 thousand and NT$1,744 thousand in 2022 and 2023, which accounted for 0.03% and 0.04% of net operating revenues, respectively, which had minimal impacts on the Company's profit and loss. The interest revenue is generated from idle funds, based on the interest rate of bank deposits. In 2022 and 2023, the interest revenue amounted to NT$106,839 thousand and NT$367,260 thousand, representing 2.10% and 8.69% of net operating revenue, respectively, which had minimal impacts on the Company's profit or loss.

(ii) Specific response measures

The Company regularly evaluates banks' interest rates on deposits and borrowings and observes the impact of changes in financial market interest rates on the Company's funds in order to take flexible measures to constantly adjust the idle fund position. Thus, interest rate changes will not have a material impact on the Company's profit and loss.

B. Changes in exchange rate

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

The Company's sales to main sales customers are priced in U.S. dollars and its purchases of goods are also priced in U.S. dollars. Through natural hedging and the choice to hold strong currencies, the Company adjusts its foreign exchange gains and losses. The Company's exchange loss was NT$700,982 thousand and NT$9,100 thousand in 2022 and 2023, respectively, which accounted for 13.76% and 0.22% of the Company's net operating revenues.

(ii) Specific response measures

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

C. Inflation

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

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

(ii) Specific response measures

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

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

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

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

A. Future R&D plan

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

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

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

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

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

B. Estimated R & D expenses

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

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

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

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

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

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

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

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

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

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

A. Purchase

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

Response measures:

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

B. Sales

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

Response measures:

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

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

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

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

(12) For litigation or non-litigation matters, it shall state the major litigation, non-litigation or administrative litigation that has been determined or is still in litigation of the Company and the Company's Directors, Supervisors, General Manager, substantial responsible person, major shareholders holding more than 10% of the shares, and subordinate companies. If the result may have material impacts on the shareholders' equity or the price of the securities, the facts of the dispute, the amount of the subject matter, the commencement date of the litigation, the parties involved in the proceedings, and the handling as of the printing date of the annual report shall be disclosed: None.

(13) Other important risks and response measures:

Cyber security risk assessment:

The Company has set up the cyber security governance system, conducts regular risk assessments, and continuously strengthens cyber security control measures based on this system, such as optimizing the protection functions of hardware and software equipment, conducting regular cyber security drills, conducting regular education and training, and publicizing and revising relevant written specifications, in order to minimize the impact on operations.

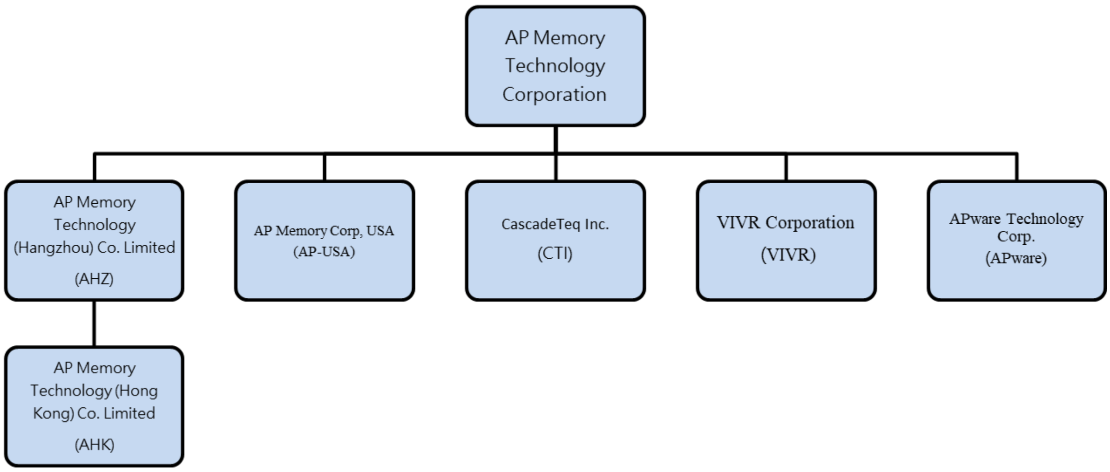
7. Other important matters: None.

VIII Special notes

1. Information about affiliated enterprises

(1) Consolidated business report of affiliated enterprises

A. Organization chart of affiliated enterprises



B. Information on affiliated enterprises

December 31, 2023; Unit: In thousands of NTD, USD

Company's name	Establishment date	Address	Paid-up capital	Main business or production items
AP-USA	2012.02	Suite 251, BG Plaza, 3800 S.W. Cedar Hills Blvd, Beaverton OR.97005, USA	US$ 2,000	Research and development services for integrated circuits
AHZ	2018.06	Room 2007 and 2008, 20th Floor, Building 1, No.1782, Jiangling Road, Xixing Street, Binjiang District, Hangzhou City, Zhejiang Province	US$ 2,000	Design, development and sales of integrated circuits
AHK	2019.10	6/F Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong	US$ 10	Sales of integrated circuits
APware	2021.10	Suite 102, Cannon Place, North Sound Rd., George Town, Grand Cayman, Cayman Islands	-	Design, development and sales of integrated circuits
VIVR	2022.08	100 N HOWARD ST STE W, SPOKANE, WA, 99201-0508, USA	US$ 1,000	Design, development and sales of integrated circuits
CTI	2022.12	8F.-5, No. 1, Taiyuan 1st St., Zhubei City, Hsinchu County, Taiwan (R.O.C.)	NT$ 5,000[note]	Design, development and sales of integrated circuits

Note: AP Memory Technology Corporation injected an additional NT$ 5,000 million in January of 2024.

C. Information on the same shareholders of those which are presumed to be in a controlling and subordinate relationship: None.

D. Names and shareholding of Directors, Supervisors, and Presidents of affiliates.

December 31, 2023; Unit: In thousands of NTD; share; %

Company	Job title	Name or representative	Shareholding	
			Shares/ Capital contribution	Shareholding percentage /Capital contribution percentage
AP-USA	Director	Ma, Lin (Note)	—	—
AHZ	Director	Hung, Chih-Hsun (Note)	—	—
	Supervisor	Chen, Wen-Liang (Note)	—	—
	President	Zhong, Lei	—	—
AHK	Director	Hung, Chih-Hsun (Note)	—	—
APware	Director	AP Memory Technology Corporation	—	100%
VIVR	Chair of Board of Director	Chen, Wen-Liang	—	—
CTI	Chair of Board of Directo	Hung, Chih-Hsun (Note)	—	—

Note: As the legal representative of AP Memory Technology Corporation.

E. The scope of business operations covered by the Company's affiliated companies: The business operations of the Company and the Company's affiliated companies include research, development services, design, sales, technical consulting and services of integrated circuits.

F. The relevance of the business operations between the affiliated companies: Through the Company, business cooperation is carried out in the distribution of sales channels between the affiliated companies.

G. Operational overview of affiliated enterprises

December 31, 2023 / Fiscal year of 2023

Unit: in thousands of the currency; Currency: NTD unless otherwise stated

Company	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating income (loss)	Current profit and loss (after tax)	Earnings per share (NTD) (after tax)
AP-USA	US$ 2,000	49,345	17,742	31,603	66,983	(5,677)	(5,594)	(2.80)
AHZ	US$ 2,000	334,084	232,715	101,369	513,888	(38,590)	(51,917)	-
AHK	US$ 10	170,178	165,856	4,322	870,048	(10,919)	(12,481)	(1,248)
APware	-	-	-	-	-	-	-	-
VIVR	US$ 1,000	31,293	1,691	29,602	22,495	(1,078)	(1,065)	(0.11)
CTI	5,000	1,840	718	1,122	487	(3,891)	(3,879)	(7.76)

(2) Consolidated financial statements of affiliated enterprises: Please refer to page 95.

(3) Report of the affiliated enterprise: Not applicable.

2. Private placement of securities in the most recent year and as of the printing date of the annual report: None.

3. The shares in the Company held or disposed of by subsidiaries in the most recent year and as of the printing date of the annual report: None.

4. Other require supplementary information: None.

IX Matters that have material impacts on shareholders' equity or securities price as defined in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the most recent year and as of the printing date of the annual report: None.

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF ASSOCIATES

The entities that are required to be included in the combined financial statements of AP Memory Technology Corporation as of and for the year ended December 31, 2023, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements of associates is included in the consolidated financial statements of parent and subsidiary companies. Consequently, AP Memory Technology Corporation and its subsidiaries do not prepare a separate set of combined financial statements of associates.

Company: AP Memory Technology Corporation
Person in charge: Chen Wen-liang
Date: March 1, 2024

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
AP Memory Technology Corporation

Opinion

We have audited the accompanying financial statements of AP Memory Technology Corporation and its subsidiaries, which comprise the Consolidated Statement of Financial Position as of December 31, 2023 and December 31, 2022, the Consolidated Statement of Comprehensive Income from January 1 to December 31, 2023 and from January 1 to December 31, 2022, Consolidated Statement of Change in Equity, Consolidated Statement of Cash Flows, and Notes to Consolidated Financial Statement (including a summary of significant accounting policies).

In our opinion, the accompanying consolidated financial statements are properly drawn up in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standing Interpretations Committee (SIC) (hereinafter referred to as IFRSs) recognized and announced effectiveness by Financial Supervisory Commission (hereinafter referred to as FSC) so as to give a true and fair view of the consolidated financial position of AP Memory Technology Corporation and its subsidiaries as of December 2023 and 2022 and of the financial performance, changes in equity and cash flows of AP Memory Technology Corporation and its subsidiaries from January 1 to December 31, 2023 and 2022.

Basis for Opinion

We were commissioned to conduct our audit in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards. Our responsibilities under those standards are further described in the 'Accountant's responsibilities for the audit of the financial statements' section of our report. We are independent of AP Memory Technology Corporation and its subsidiaries in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities, 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

The key audit matter is which that, in our professional judgment, is most significant to our review of the Consolidated Financial Statements of AP Memory Technology Corporation and its subsidiaries for 2023. Such matter has been considered in the process of examining the consolidated financial statements taken as a whole and forming an opinion thereon, and we do not express an opinion on the matter individually.

The following is the description of the key audit matter in the Consolidated Financial Statements of AP Memory Technology Corporation and its subsidiaries for 2023:

Authenticity of Sales Revenue from Specific Customers

In the fiscal year 2023, AP Memory Technology Corporation and its subsidiaries reported sales revenue amounting to NT$4,226,907 thousand. The sales revenue from certain customers has shown significant growth compared to the fiscal year 2022, constituting a substantial portion of the total sales revenue. Therefore, the authenticity of the related sales revenue has been identified as one of the key audit matters.

During the audit, our accountants performed the following audit procedures in response to this key audit matter:

1. Understand and evaluate the internal control system related to revenue recognition, and test the design and execution of such controls.
2. Sample confirmation requests were sent for the entire year's sales revenue from the specific customers, and alternative procedures were conducted for those from whom confirmation was not timely received. This includes verifying transaction evidence and subsequent collections.
3. Perform audit sampling on the sales revenue details of the specific customers, review related transaction documents, including customer orders, shipping documents, and receipts, to confirm the authenticity of the revenue recognized.
4. Audit the occurrences of sales returns and allowances after the reporting period and subsequent collections to confirm the reasonableness of the sales revenue recognized.

Others

AP Memory Technology Corporation has prepared parent company only financial statements for the years 2023 and 2022, and the accountant has issued unqualified audit reports for reference.

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

Management's responsibility is to prepare the consolidated financial statements present fairly, in all material respects, according to Regulations Governing the Preparation of Financial Reports by Securities Issuers as well as the International Financial Reporting Standards, International Accounting Standards, Interpretation, and Interpretation Announcement recognized and announced the effectiveness by Financial Supervisory Commission as well as maintain necessary internal control related to the preparation of the consolidated financial statements in order to ensure there is no major untrue expression on the financial statements due to fraud or error.

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

The responsibilities of the governing body (including the audit committee) include overseeing the financial reporting process of AP Memory Technology Corporation and its subsidiaries.

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 GAAS 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 in the basis of these consolidated financial statements.

As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for audit opinions. Because fraud may be related to conspiracy, forgery, deliberate omission, false statement or breach of internal control, the risk of a material misstatement caused by fraud which is not identified is higher than the risk of a material misstatement caused by any error.
2. Obtain an understanding of internal controls 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 internal control effectiveness of AP Memory Technology Corporation and its subsidiaries.
3. Assess the appropriateness of management's use of accounting policies and the reasonability of the accounting estimate and relevant disclosure.
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 ability of AP Memory Technology Corporation and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause AP Memory Technology Corporation and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including the relevant notes), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. We have obtained sufficient and appropriate evidence to audit the consolidated financial information of AP Memory Technology Corporation and its subsidiaries to express an opinion on the Consolidated Financial Statements. We are responsible for the guidance, supervision and execution of the audit and for forming an audit opinion on AP Memory Technology Corporation and its subsidiaries.

We communicate with the governing body regarding, among other matters, the planned scope and timing of the audit and significant audit findings (including any significant deficiency in internal controls that we identify during our audit).

We have also provided the governing body with a statement that the independence-regulated personnel of the firm to which we are affiliated have complied with the Code of Ethics for Professional Accountants with respect to independence and communicate with the governing body about all relationships and other matters (including related protective measures) that may be considered to affect the accountant's independence.

We have determined the key audit matter for the audit of the Consolidated Financial Statements of AP Memory Technology Corporation and its subsidiaries for the year ended December 31, 2023 from the communications we have had with the governing body. We identified such matter in our auditor's report, except for those matters that are not permitted by law to be disclosed publicly or, in the rarest of circumstances, we decided not to communicate those matters in our auditor's report because we reasonably could expect the negative effect of such communication to outweigh the public interest.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 1, 2024

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 Subsidiaries

Consolidated Balance Sheets

For the Years Ended December 31, 2023, and December 31, 2022

(In Thousands of New Taiwan Dollars)

	Dec. 31, 2023		Dec. 31, 2022	
Assets	Amount	%	Amount	%
Current assets				
Cash and cash equivalents (Notes 4 and 6)	$ 8,864,216	71	$ 8,182,432	70
Financial assets measured at amortized cost - current (Notes 4, 8 and 29)	2,819	-	2,782	-
Accounts receivable (Notes 4, 9 and 21)	567,535	5	638,597	5
Other receivables (Notes 4 and 9)	47,800	-	31,879	-
Current income tax assets (Note 4)	1,144	-	80	-
Inventories (Notes 4 and 10)	851,330	7	1,528,392	13
Other current assets (Note 16)	55,803	-	62,456	1
Total current assets	10,390,647	83	10,446,618	89
Non-current assets				
Financial assets measured at FVTPL - non-current (Notes 4, 5, 7 and 27)	1,139,267	9	256,007	2
Financial assets measured at amortized cost - non-current (Notes 4 and 8)	6,622	-	6,522	-
Investments accounted for using the equity method (Notes 4 and 12)	106,011	1	114,991	1
Property, plant and equipment (Notes 4 and 13)	76,438	1	80,634	1
Right-of-use assets (Notes 4 and 14)	53,091	-	80,018	1
Other intangible assets (Notes 4 and 15)	76,363	1	21,711	-
Deferred income tax assets (Notes 4 and 23)	58,489	-	31,163	-
Refundable deposits (Note 30)	459,525	4	464,452	4
Other non-current assets (Note 16)	147,138	1	189,195	2
Total non-current assets	2,122,944	17	1,244,693	11
Total assets	$ 12,513,591	100	$ 11,691,311	100
Liabilities and Equity				
Current liabilities				
Short-term loans (Note 17)	$ 300,000	2	$ -	-
Contract liabilities (Notes 4 and 21)	68,828	1	23,043	-
Accounts payable	255,186	2	149,961	1
Other payables (Note 18)	189,766	2	146,564	1
Income tax payable (Note4)	238,365	2	295,101	3
Lease liabilities - current (Note 4 and 14)	25,917	-	54,559	1
Other current liabilities (Note 18)	10,217	-	3,262	-
Total current liabilities	1,088,279	9	672,490	6
Non-current liabilities				
Deferred income tax liabilities (Note 4 and 23)	77,578	1	45,132	-
Lease liabilities - non-current (Notes 4 and 14)	9,940	-	9,122	-
Deposits received	16,000	-	14,000	-
Total non-current liabilities	103,518	1	68,254	-
Total liabilities	1,191,797	10	740,744	6
Equity (Notes 4, 20 and 25)				
Share capital				
Share capital of common stock	810,020	6	807,786	7
Share capital collected in advance	1,739	-	848	-
Total share capital	811,759	6	808,634	7
Capital surplus	6,234,430	50	6,178,947	53
Retained earnings				
Legal reserve	760,879	6	566,709	5
Special reserve	450	-	-	-
Undistributed earnings	3,514,619	28	3,396,727	29
Total retained earnings	4,275,948	34	3,963,436	34
Other equity	(343)	-	(450)	-
Total equity	11,321,794	90	10,950,567	94
Total liabilities and equity	$ 12,513,591	100	$ 11,691,311	100

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

AP Memory Technology Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2023, and December 31, 2022

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

	2023		2022	
	Amount	%	Amount	%
Revenue (Notes 4, 21 and 28)	$ 4,226,907	100	$ 5,094,775	100
Cost of revenue (Notes 10 and 22)	2,471,901	58	2,873,381	56
Gross profit	1,755,006	42	2,221,394	44
Operating expenses (Notes 4, 9 and 22)				
Marketing	124,811	3	126,823	3
General and administrative	164,854	4	132,623	3
R&D expenses	583,627	14	462,066	9
Expected credit losses (gain on reversal)	28,933	1	(638)	-
Total operating expenses	902,225	22	720,874	15
Income from operations	852,781	20	1,500,520	29
Non-operating income and expense				
Other income	3,987	-	9,008	-
Shares of the profit or loss of associates recognized for using the equity method (Notes 4 and 12)	(543)	-	5,964	-
Interest income (Note 4)	367,260	9	106,839	2
Gain from disposal of property, plant and equipment (Note 4)	-	-	54	-
Gain from disposal of investments (Note 4)	-	-	13,443	1
Gain on lease modifications (Note 4)	-	-	25	-
Gain on financial assets measured at FVTPL (Notes 4 and 27)	388,140	9	114,018	2
Interest expenses (Note 4)	(1,744)	-	(1,570)	-
Gain on foreign exchange - net value (Notes 4, 22 and 31)	9,100	-	700,982	14
Total non-operating income and expenses	766,200	18	948,763	19

(Continued on the next page)

(Continued from the previous page)

	2023		2022	
	Amount	%	Amount	%
Net income before tax	$ 1,618,981	38	$ 2,449,283	48
Income tax expense (Notes 4 and 23)	(174,011)	(4)	(507,587)	(10)
Net income	1,444,970	34	1,941,696	38
Other comprehensive income (Notes 4 and 20)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	107	-	4,265	-
Other comprehensive income (net of income tax)	107	-	4,265	-
Total comprehensive income	$ 1,445,077	34	$ 1,945,961	38
Earnings per share (Note 24)				
Basic earnings per share	$ 8.93		$ 12.09	
Diluted earnings per share	$ 8.85		$ 11.96	

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

AP Memory Technology Corporation and Subsidiaries

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2023, and December 31, 2022

(In Thousands of New Taiwan Dollars)

	Share Capital (Notes 4, 20 and 25)				Retained Earnings (Notes 4 and 20)				Other Equity (Note 4 and 20)		
	Capital Stock - Common Stock	Share Capital Collected in Advance	Total Share Capital	Capital Surplus (Notes 4, 20 and 25)	Legal Reserve	Special Reserve	Undistributed Earnings	Total	Exchange differences arising on translation of foreign operations	Treasury stock (Notes 4 and 20)	Total Equity
Balance, Jan. 1, 2022	$ 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 and distribution of earnings, 2021											
Recognition of legal reserve	-	-	-	-	202,546	-	(202,546)	-	-	-	-
Cash dividends for the company’s shareholders	-	-	-	-	-	-	(968,275)	(968,275)	-	-	(968,275)
Cost for recognizing stock options as compensation	-	-	-	26,099	-	-	-	-	-	-	26,099
Disposal of investments accounted for using the equity method	-	-	-	-	-	-	-	-	(13,443)	-	(13,443)
Capital increase by cash	64,000	-	64,000	5,087,283	-	-	-	-	-	-	5,151,283
Write-down of treasury stock	(2,580)	-	(2,580)	(2,993)	-	-	(5,673)	(5,673)	-	11,246	-
Net income, 2022	-	-	-	-	-	-	1,941,696	1,941,696	-	-	1,941,696
Other comprehensive income, net of income tax, 2022	-	-	-	-	-	-	-	-	4,265	-	4,265
Total comprehensive income, 2022	-	-	-	-	-	-	1,941,696	1,941,696	4,265	-	1,945,961
Common shares issued under the employee stock option plan	2,230	(2,013)	217	13,770	-	-	-	-	-	-	13,987
Balance, Dec. 31, 2022	807,786	848	808,634	6,178,947	566,709	-	3,396,727	3,963,436	(450)	-	10,950,567
Appropriation and distribution of earnings, 2022											
Recognition of legal reserve	-	-	-	-	194,170	-	(194,170)	-	-	-	-
Recognition as special reserve	-	-	-	-	-	450	(450)	-	-	-	-
Cash dividends for the company’s shareholders	-	-	-	-	-	-	(1,132,458)	(1,132,458)	-	-	(1,132,458)
Changes in the associates and ventures recognized for using the equity method	-	-	-	688	-	-	-	-	-	-	688
Cost for recognizing stock options as compensation	-	-	-	31,554	-	-	-	-	-	-	31,554
Net income, 2023	-	-	-	-	-	-	1,444,970	1,444,970	-	-	1,444,970
Other comprehensive income, net of income tax, 2023	-	-	-	-	-	-	-	-	107	-	107
Total comprehensive income, 2023	-	-	-	-	-	-	1,444,970	1,444,970	107	-	1,445,077
Common shares issued under the employee stock option plan	2,234	891	3,125	23,241	-	-	-	-	-	-	26,366
Balance, Dec. 31, 2023	$ 810,020	$ 1,739	$ 811,759	$ 6,234,430	$ 760,879	$ 450	$ 3,514,619	$ 4,275,948	($ 343)	$ -	$ 11,321,794

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

AP Memory Technology Corporation and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2023, and December 31, 2022

(In Thousands of New Taiwan Dollars)

	2023	2022
Cash flow from operating activities		
Net income before tax	$ 1,618,981	$ 2,449,283
Adjustments		
Depreciation expense	63,097	58,876
Amortization expense	18,341	15,799
Expected credit losses (gain on reversal)	28,933	(638)
Gain on financial assets measured at FVTPL	(388,628)	(114,018)
Interest expenses	1,744	1,570
Interest income	(367,260)	(106,839)
Dividend income	(51)	(322)
Cost of share-based payment awards	31,554	26,099
Share of gain or loss from associates recognized for using the equity method	543	(5,964)
Loss (gain) on disposal or retirement of property, plant and equipment	-	(54)
Gain on lease modifications	-	(25)
Gain from disposal of investments	-	(13,443)
Losses on market price decline and obsolete and slow-moving inventories	61,551	25,675
Unrealized gain on foreign exchange	9,332	(4,839)
Net changes in operating assets and liabilities		
Accounts receivable	25,935	223,233
Other receivables	350	17,654
Inventories	615,511	142,554
Other current assets	(12,090)	(4,666)
Refundable deposits	4,927	519
Contract liabilities	45,785	(150,559)
Accounts payable	111,845	(452,124)
Other payables	43,208	(45,483)
Other current liabilities	6,955	(996)
Cash generated from operations	1,920,563	2,061,292
Interest received	350,882	95,178
Dividends received	51	322
Interest paid	(1,507)	(1,570)
Income tax paid	(226,688)	(580,588)
Net cash generated by operating activities	2,043,301	1,574,634

(Continued on the next page)

(Continued from the previous page)

	2023	2022
Cash flows from investing activities		
Acquisition of financial assets at fair value through profit or loss	($ 494,632)	$ -
Acquisition of long-term equity investments accounted for using the equity method	-	(33,771)
Purchase of property, plant and equipment	(10,527)	(26,030)
Disposal of property, plant and equipment	-	548
Acquisition of intangible assets	(12,149)	(19,194)
Dividends received from associates	11,160	11,160
Net cash used in investing activities	(506,148)	(67,287)
Cash flows from financing activities		
Increase in short-term loans	300,000	-
Increase in deposits received	2,000	-
Repayment of lease principal	(49,051)	(42,307)
Issuance of cash dividends	(1,132,442)	(968,275)
Capital increase by cash	-	5,151,283
Stock options exercised by employees	26,366	13,987
Net cash used in financing activities	(853,127)	4,154,688
Effect of exchange rate changes on cash and cash equivalents	(2,242)	2,950
Net increase in cash and cash equivalents	681,784	5,664,985
Cash and cash equivalents, beginning of year	8,182,432	2,517,447
Cash and cash equivalents, end of year	$ 8,864,216	$ 8,182,432

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

AP Memory Technology Corporation and Subsidiaries

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Unless otherwise specified, the basic unit for any amount shall be in thousands of New Taiwan Dollars.)

1. General

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

Upon approval of Taipei Exchange (TPEx) in June 2015, the Company started trading on Emerging Stock Board of TPEx and then trading on Taiwan Stock Exchange (TWSE) on May 31, 2016. In January 2022, the Company will make an initial public offering of global depositary receipts (GDRs) by way of a capital raising issue of new shares and will be listed on the Bourse de Luxembourg.

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

2. The Authorization of Financial Statements

The consolidated financial statements were approved by the board of directors on March 1, 2024.

3. Application of New and Revised International Financial Reporting Standards

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

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the accounting policies of the Company and entities controlled by the Company (collectively, the "Consolidated Company").

(2) FSC-approved IFRSs applicable in 2024

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 16 - "Lease Liability in a Sale and Leaseback"	Jan. 1, 2024 (Note 2)
Amendments to IAS 1 - "Classification of Liabilities as Current or Non-current"	Jan. 1, 2024
Amendments to IAS 1 - "Non-current Liabilities with Covenants"	Jan. 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	Jan. 1, 2024 (Note 3)

Note 1: Unless otherwise stated, the above new/amended/revised standards or interpretations are effective for annual reporting periods beginning after the respective dates.

Note 2: The seller and lessee should retrospectively apply the amendments to IFRS 16 to sale and leaseback transactions entered into after the initial application of IFRS 16.

Note 3: Upon the first application of this amendment, certain disclosure requirements are exempted.

As of the approval date of these consolidated financial statements, the Consolidated Company has assessed that the amendments to the standards and interpretations will not have a significant impact on the financial position and performance.

(3) New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 - "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined.
IFRS 17 "Insurance Contracts"	Jan. 1, 2023
Amendments to IFRS 17	Jan. 1, 2023
Amendments to IFRS 17 - "Initial Application of IFRS 17 and IFRS 9 — Comparative Information"	Jan. 1, 2023
Amendments to IAS 21 - "Lack of Exchangeability"	Jan. 1, 2025 (Note 2)

Note 1: Unless otherwise stated, the above new/amended/revised standards or interpretations are effective for annual reporting periods beginning after the respective dates.

Note 2: Applies to fiscal years beginning on or after January 1, 2025. Upon first applying the amendment, the effects will be recognized in retained earnings on the date of initial application. When the Consolidated Company uses a non-functional currency as its presentation currency, the effects are adjusted in the equity item of foreign operations exchange differences on the date of initial application.

As of the approval date of these consolidated financial statements, the Consolidated Company continues to assess the impact of the amendments to the standards and interpretations on the financial position and performance, and the related impacts will be disclosed upon completion of the assessment.

4. Summary of Significant Accounting Policies

(1) Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs approved and issued by the FSC.

(2) Basis of Preparation

Apart from financial instruments measured at fair value, these consolidated financial statements are prepared on a historical cost basis.

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

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

(3) Classification of Current and Non-current Assets and Liabilities

Current assets include:

1. assets held mainly for transaction purposes;
2. assets to be realized within 12 months of the asset balance sheet; and
3. cash and cash equivalents (but not including cash used to exchange or clear liability within 12 months of the asset balance sheet).

Current liabilities include:

1. liabilities held mainly for transaction purposes;
2. liabilities due for payment within 12 months after the balance sheet date; and
3. the business entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Assets or liabilities not classified within the above definitions will be classified as non-current assets and liabilities.

(4) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries), and the consolidated statement of comprehensive income includes the operating income or loss of the acquired or disposed subsidiaries for the period from the date of acquisition or up to the date of disposal. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

When changes in the Consolidated Company's ownership interests in a subsidiary do not result in the loss of control, they are treated as equity transactions. The carrying amounts of the Consolidated Company and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the adjustment to non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

Upon the loss of control of a subsidiary, the gain or loss on disposal is the difference between (1) the fair value of the consideration received and the fair value of any remaining investment in the former subsidiary at the date control is lost, and (2) the aggregate of the carrying amounts of the assets (including goodwill), liabilities, and non-controlling interests of the former subsidiary at the date control is lost. The accounting treatment for all amounts previously recognized in other comprehensive income relating to that subsidiary is the same as if the Consolidated Company had directly disposed of the related assets or liabilities.

The remaining investment in the former subsidiary is initially recognized at fair value on the date control is lost.

See Note 11, Table 6 and Table 7 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

(5) Foreign Currencies

When preparing financial statements, each entity translates transactions in currencies other than the functional currency of the entity (foreign currencies) into the functional currency at the exchange rates prevailing on the transaction dates.

Monetary items denominated in foreign currencies are translated at the closing rate at each balance sheet date. Exchange differences arising from the settlement of monetary items or the translation of monetary items are recognized in profit or loss in the period in which they occur.

Foreign currency non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value was determined. The resulting exchange differences are recognized in profit or loss; however, for those fair value changes recognized in other comprehensive income, the resulting exchange differences are also recognized in other comprehensive income.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the exchange rates ruling at the dates of transactions and are not retranslated.

For the purpose of preparing consolidated financial statements, assets and liabilities of foreign operations (including subsidiaries that operate in countries or currencies different from those of the Company) are translated into New Taiwan Dollars at the exchange rates prevailing on each balance sheet date. Income and expense items are translated at the average exchange rate for the period and the resulting exchange differences are included in other comprehensive income.

If the Consolidated Company disposes of its entire interest in a foreign operation, all related cumulative exchange differences are reclassified to profit or loss.

(6) Inventories

Inventories include raw materials, finished goods, and work in progress. Inventories are measured at the lower of cost and net realizable value. When comparing cost and net realizable value, items are assessed individually, except for inventories of similar categories. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is calculated using the weighted average method.

(7) Investments in Associates

Associates are entities over which the Consolidated Company has significant influence but which are not subsidiaries.

The Consolidated Company accounts for investments in associates using the equity method.

Under the equity method, investments in associates are initially recognized at cost, and the carrying amount is increased or decreased to recognize the Consolidated Company's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. Furthermore, changes in the Consolidated Company's share of the equity of associates are recognized in proportion to the shareholding.

The excess of the cost of acquisition over the Consolidated Company's share of the net fair value of the identifiable assets and liabilities of the associate at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and is not amortized. If the Consolidated Company's share of the net fair value of the identifiable assets and liabilities of the associate at the date of acquisition exceeds the cost of acquisition, this excess is recognized in profit or loss.

For impairment assessment, the entire carrying amount of the investment (including goodwill) is considered as a single asset to compare the recoverable amount with the carrying amount for impairment testing. Any impairment loss recognized is not allocated to any assets that make up the carrying amount of the investment, including goodwill. Any reversal of impairment losses is recognized to the extent that the recoverable amount of the investment increases subsequently.

The Consolidated Company ceases using the equity method from the date its investment is no longer an associate. The retained interest in the former associate is measured at fair value, and the difference between the fair value and the carrying amount of the investment at the date when the equity method is ceased is immediately recognized in profit or loss.

Gains and losses from upstream, downstream, and lateral transactions between the Consolidated Company and an associate are recognized in the consolidated financial statements only to the extent that they are unrelated to the Consolidated Company's equity interest in the associate.

(8) Property, plant and equipment

Property, plant, and equipment are recognized by cost, and then measured by cost less accumulated depreciation.

Property, plant and equipment are depreciated separately over their useful lives on a straight-line basis for each significant component. The Consolidated Company reviews the estimated useful lives, residual values and depreciation methods at least at the end of each year and defers the effect of changes in applicable accounting estimates.

The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss when property, plant, and equipment are derecognized.

(9) Goodwill

Goodwill acquired in a business combination is recognized at its amount on the acquisition date as a cost and is subsequently measured at cost less accumulated impairment losses.

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

The cash-generating unit to which goodwill has been allocated is tested for impairment annually (and whenever there is an indication that the unit may be impaired) by comparing the carrying amount of the unit, including goodwill, with its recoverable amount. If the goodwill allocated to a cash-generating unit was acquired in a business combination during the year, the unit should be tested for impairment before the end of that year. If the recoverable amount of the cash-generating unit to which goodwill has been allocated is less than its carrying amount, an impairment loss is first applied to reduce the carrying amount of the allocated goodwill, and then to reduce the carrying amounts of the other assets in the unit based on their respective proportions. Any impairment loss is recognized directly as a current-period loss. Goodwill impairment losses cannot be reversed in subsequent periods.

When disposing of an operation within a cash-generating unit to which goodwill has been allocated, the amount of goodwill related to the disposed operation is included in the carrying amount of the operation to determine the gain or loss on disposal.

(10) Intangible Assets

1. Separately acquired

   Separately acquired intangible assets with finite useful lives are initially measured at cost and are subsequently measured at cost less accumulated amortization.

   Intangible assets are amortized on a straight-line basis over their useful lives. The Consolidated Company reviews the estimated useful lives, residual values, and amortization methods of the intangible assets at least at each financial year-end and defers the effect of any changes in accounting estimates.

2. Acquired in a merger

   Intangible assets acquired in a merger are recognized at their fair value on the acquisition date and are accounted for separately from goodwill. The subsequent measurement of these intangible assets is the same as that of separately acquired intangible assets.

3. Derecognition

   When an intangible asset is derecognized, the difference between the net disposal proceeds and the carrying amount of the asset is recognized as a gain or loss in the current year's profit or loss.

(11) Impairment of Property, Plant and Equipment, Right-of-use Assets and Intangible Assets (Excluding Goodwill)

At each balance sheet date, the Consolidated Company assesses whether there is any indication that property, plant and equipment, right-of-use assets and intangible assets may be impaired. If there is any indication of impairment, the recoverable amount of the asset is estimated, and if the recoverable amount of an individual asset cannot be estimated, the Consolidated Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Shared assets are allocated to the smallest cash-generating unit groups on a reasonable and consistent basis.

The recoverable amount is the higher fair value less selling cost and use value. If the recoverable amount of an individual asset or cash generating unit is less than its carrying amount, the carrying amount of the asset or cash generating unit shall be reduced to its recoverable amount, with the impairment loss recognized in profit or loss.

When the following recoverable amount increases, the carrying amount of the asset or cash generating unit increases to the amount that can be recovered after the revision. However, the increased carrying amount shall not exceed that (minus amortization or depreciation) determined by the asset or cash generating unit where the impairment loss was not recognized in the previous year. The reversal of impairment loss is recognized in profit or loss.

(12) Financial Instruments

Financial assets and financial liabilities are recognized in the Consolidated Statement of Financial Position when the Consolidated Company becomes a party to the contractual provisions of the instrument.

On initial recognition, financial assets and financial liabilities that are not measured at fair value through profit or loss are measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities measured at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial Assets

The transaction practice of the financial assets adopts accounting recognition and de-recognition on the transaction day.

(1) Measurement Types

The types of financial assets held by the Consolidated Company are financial assets measured at fair value through profit or loss and financial assets measured at amortized cost.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets mandatorily measured at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include investments in equity instruments which are not designated by the Consolidated Company as measured at FVTOCI, and investments in debt instruments that do not qualify for classification as measured at amortized cost or measured at FVTOCI.

Financial assets at fair value through profit or loss are measured at fair value, with dividends, interest generated and gains or losses from remeasurement recognized in profit or loss. For the method of determining fair value, please refer to Note 27.

B. Financial assets measured at amortized cost

The Consolidated Company's investments in financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

a. they are held within an operating model whose objective is to hold the financial assets to collect the contractual cash flows; and
b. the contractual terms give rise to cash flows at a specific date, which are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost (including cash and cash equivalents, investments in debt instruments measured at amortized cost, accounts receivable, other receivables and refundable deposits) are measured at amortized cost using the effective interest method to determine the total carrying amount less any impairment loss after initial recognition, with any foreign currency exchange gain or loss recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the total carrying amount of the financial assets except in the following situations.

a. For financial assets impaired at acquisition or origination, interest income is calculated using the effective interest rate adjusted for credit losses on the amortized cost of the financial asset.
b. For financial assets not impaired at acquisition or origination but subsequently became impaired, interest income is calculated from the period after the impairment using the effective interest rate on the amortized cost of the financial asset.

A credit-impaired financial asset is one for which the issuer or the debtor has experienced significant financial difficulties, defaulted, it is probable that the debtor will declare bankruptcy or other financial reorganization, or an active market for the financial asset has disappeared due to financial difficulties.

Cash equivalents include highly liquid deposits that are readily convertible to known amounts of cash with insignificant risk of changes in value and are within three months of maturity from the date of acquisition, used to meet short-term cash commitments.

(2) Impairment of Financial Assets

The Consolidated Company assesses impairment losses on financial assets measured at amortized cost (including accounts receivable) at each balance sheet date based on expected credit losses.

Accounts receivable are recognized as an allowance for loss based on expected credit losses during the period of duration. Other financial assets are first evaluated to determine whether there is a significant increase in credit risk since initial recognition. If not, they are recognized as an allowance for loss based on expected credit losses over 12 months, and if so, based on expected credit losses over the duration period.

Expected credit losses represent the weighted-average credit losses based on the risk of default. 12-month expected credit losses represent the expected credit losses arising from possible defaults of financial instruments within 12 months after the reporting date. The 12-month expected credit losses represent the expected credit losses arising from all possible defaults of the financial instruments during the 12-month period after the reporting date.

For internal credit risk management purposes, without considering the collateral held, the Consolidated Company considers a financial asset defaulted when internal or external information indicates the debtor is unlikely to pay its debts.

All impairment losses on financial assets are reduced through an allowance account against their carrying amount.

(3) Derecognition of Financial Assets

The Consolidated Company derecognizes financial assets only when the contractual rights to the cash flows from the financial assets have lapsed or when the financial assets have been transferred and substantially all the risks and rewards of ownership of the assets have been transferred to other enterprises.

When a financial asset measured at amortized cost is derecognized in its entirety, the difference between its carrying amount and the consideration received is recognized in profit or loss.

2. Equity Instruments

Debts and equity instruments issued by the Consolidated Company are classified as financial liabilities or equity based on the substance of the contractual agreements and the definitions of financial liabilities and equity instruments.

Equity instruments issued by the Consolidated Company are recognized at the amount of the acquisition price less direct issuance costs.

Repurchases of the Company's own equity instruments are recognized and deducted under equity. Transactions involving the purchase, sale, issuance, or cancellation of the Company's own equity instruments are not recognized in profit or loss.

3. Financial Liabilities

(1) Subsequent Measurement

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

(2) Derecognition of Financial Liabilities

Any difference between the carrying amount of a financial liability at the time of derecognition and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(13) Income Recognition

The Consolidated Company allocates the transaction price to each performance obligation after the performance obligation is identified in the customer contract and recognizes revenue when each performance obligation is satisfied.

1. Revenue from Sales of Goods

   Revenue from sales of goods arises from the sale of integrated circuit products. Since customers have determined prices and rights to use the goods with the primary responsibility for resale and bear the risks of obsolescence once trade terms are met, the Consolidated Company recognizes revenue and accounts receivable at that point. Advance payments received for product sales are recognized as contract liabilities until the product is shipped.

   When providing processing services, revenue is not recognized as control of the processed products does not transfer upon processing.

2. Service Revenue

   Service revenue arises from providing design and research and development technical services as per contract, recognized based on the completion stage of the contract.

   For services of purchasing wafers on behalf of customers, the Consolidated Company does not take control of the wafers nor is responsible for their acceptance by customers. Moreover, the Consolidated Company does not commit to purchasing wafers before customer orders, hence bearing no inventory risk. The Consolidated Company acts as an agent in providing wafer purchasing services and recognizes revenue and accounts receivable at net amount when control of the wafers is transferred to the customer and no further obligations remain, with the remaining payments classified as other receivables and other payables for wafer purchasing.

   Revenue from design and research and development services provided by the Consolidated Company is recognized based on the completion stage of the contract.

3. Licensing Revenue

   For technology licensing transactions, as there is no commitment to engage in activities that change the functionality of the silicon intellectual property, and such technology can operate without updates or technical support, licensing fees are recognized as licensing revenue at the time the right to use the silicon intellectual property is transferred.

(14) Lease

The Consolidated Company assesses on the inception date of a contract whether the contract is (or contains) a lease.

<u>The Consolidated Company as a lessee</u>

The lease payments for leases of low-value assets and short-term leases that qualify for recognition exemptions are recognized as expenses on a straight-line basis over the lease term. For all other leases, the right-of-use assets and lease liabilities are recognized at the lease commencement date.

The right-of-use assets are initially measured at cost (including the original measurement of lease liabilities) and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, with the adjustment of lease liability remeasurements. The right-of-use assets are presented separately in the consolidated balance sheet.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life or the lease term.

Lease liabilities are measured initially at the present value of the lease payments (including fixed payments). If the implied interest rate of the lease is readily determinable, the lease payments are discounted using that rate. If the rate is not readily determinable, the lessee's incremental borrowing rate is used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, and interest expense is amortized over the lease term. If there is a change in future lease payments due to changes in the lease period, the Consolidated Company remeasures the lease liability and adjusts the right-of-use asset accordingly, but if the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are presented separately in the balance sheet.

(15) Employee Benefits

1. Short-term employee benefits

   The liability related to short-term employee benefits is measured as the non-discounted amount expected to be paid in exchange for employee services.

2. Retirement benefits

   Defined benefit pension plans are recognized as expenses over the period of service of the employees.

(16) Share-based Payment Arrangements

Employee stock options are recognized at the fair value of the equity instruments granted and the best estimate of the number expected to vest, expensed over the vesting period on a straight-line basis, with a simultaneous adjustment to capital surplus - employee stock options. If they vest immediately at the grant date, the expense is fully recognized on the grant date.

The Consolidated Company revises its estimate of the number of employee stock options expected to vest at each balance sheet date. If there is an adjustment to the original estimated number, the impact is recognized in profit or loss to reflect the revised estimate, with a corresponding adjustment to capital surplus - employee stock options.

(17) Income Tax

Income tax expense is the sum of current income taxes and deferred income taxes.

1. Current income tax

The Consolidated Company determines the current income (loss) in accordance with the regulations of each jurisdiction in which it files income tax returns and calculates the income tax payable (recoverable) accordingly.

The income tax on undistributed earnings under the Income Tax Act of the ROC is recognized in the year of the resolution of the shareholders' meeting.

The adjustment of income tax payable in the previous year shall be included in the current income tax.

2. Deferred income tax

Deferred income tax is calculated based on the temporary differences between the carrying amount of assets and liabilities on the books and the basis for the calculation of taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, while deferred income tax assets are recognized when it is probable that there will be taxable income available to offset the temporary differences and loss carryforwards.

Deferred tax liabilities are recognized for all taxable temporary differences associated with investments in subsidiaries and associates, except where the Consolidated Company can control the timing of the reversal of the temporary differences and it is probable that these differences will not reverse in the foreseeable future. Deferred tax assets for deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profit available to utilize the temporary difference and it is expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced for those where it is no longer probable that there will be sufficient taxable income to allow all or part of the assets to be recovered. Deferred income tax assets not previously recognized as such are also reviewed at each balance sheet date and the carrying amount is increased for those where it is probable that taxable income will be available to recover all or part of the assets.

Deferred income tax assets and liabilities are measured by the tax rate of the expected liabilities settlement or assets realization in the current period, according to the tax rate and the tax law which have been legalized or substantively legalized on the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences of the way in which the Consolidated Company is expected to recover or pay off the carrying amount of its assets and liabilities on the balance sheet date.

3. Current and deferred income taxes

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

5. Critical Accounting Judgments and Key Sources of Estimation and Uncertainty

When the Consolidated Company adopts an accounting policy, management must make relevant judgments, estimates, and assumptions of relevant information that is difficult to obtain from other sources based on historical experience and other relevant factors.

The management will continuously review the estimates and underlying assumptions. If the revisions to estimates only affect the current period, they are recognized in the current period; if the adjustments to accounting estimates affect both the current and future periods, they are recognized in both the current and future periods.

Fair Value Measurement and Valuation Techniques

When assets and liabilities measured at fair value are not traded in active markets and no market quotations are available, the Consolidated Company determines whether to use an external valuer and decides on the appropriate fair value valuation technique based on applicable laws or judgment.

If Level 1 inputs are not available for estimating fair value, the Consolidated Company or its appointed valuer refers to analyses of the financial position and operating results of the investee, recent transaction prices, quotations for similar equity instruments in inactive markets, quotations for similar instruments in active markets, and valuation multiples of comparable companies to determine the inputs. If actual future changes in inputs differ from expectations, fair value adjustments may occur.

The Consolidated Company updates the inputs quarterly based on market conditions to monitor whether the fair value measurement is appropriate.

For a description of fair value valuation techniques and inputs, refer to Notes 7 and 27.

6. Cash and cash dividends

	Dec. 31, 2023	Dec. 31, 2022
Petty cash and cash on hand	$ 40	$ 30
Bank checks and demand deposits	368,667	1,112,475
Cash equivalents (with investments which matures within three months)		
Time deposits	8,495,509	7,069,927
	$ 8,864,216	$ 8,182,432

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

	Dec. 31, 2023	Dec. 31, 2022
Bank deposits	0.001%~3.35%	0.001%~1.55%
Time deposits	0.625%~5.4%	0.31%~4.31%

7. Financial Instruments at Fair Value Through Profit or Loss

	Dec. 31, 2023	Dec. 31, 2022
Financial assets - non-current		
Non-derivative financial assets		
－Stocks of unlisted foreign companies		
Hai Ning Chang Meng Technology Partnership (limited partnership) (1)	$ 373,267	$ 248,619
－Stocks of listed domestic companies		
M3 Technology Inc. (2)	766,000	-
Powerchip Semiconductor Manufacturing Corporation (3)	-	5,368
－Stocks of unlisted domestic companies		
GeneASIC Technologies Corporation (4)	-	2,020
	$ 1,139,267	$ 256,007

(1) In August 2019, the Consolidated Company signed an investment agreement with Hai Ning Chang Meng Technology Partnership (limited partnership) (referred to as "Hai Ning Chang Meng"), subscribing and paying RMB 6,900 thousand, which accounted for 24.64% of the total contribution. The Consolidated Company does not have the ability to influence relevant activities, hence it does not have significant influence. As of December 31, 2023, the paid contribution of the Consolidated Company accounted for 24.64% of the paid-in capital.

(2) In November 2023, the Consolidated Company acquired 4,000 thousand common shares of M3 Technology Inc. (referred to as "M3 Technology") on the centralized trading market for NT$500,000 thousand, mainly to enhance the efficiency of capital utilization of the Consolidated Company and to seek cooperation opportunities to establish an advanced packaging ecosystem. As of December 31, 2023, the Consolidated Company held a 9.40% share of the issued shares of M3 Technology. The Company was elected as a director at the extraordinary shareholders' meeting held by M3 Technology on January 31, 2024, and was subsequently appointed as chairman at the emergency board meeting on the same day.

(3) In August 2019, the Consolidated Company acquired common shares of Powerchip Semiconductor Manufacturing Corporation (referred to as "Powerchip), accounting for 0.048% of Powerchip's issued shares. The Consolidated Company made additional purchases of shares in June and August 2021, and June 2020, and participated in Powerchip's capital increase by cash in 2021. In November 2023, the Consolidated Company sold its shares in Powerchip for NT$4,637 thousand, realizing a profit of NT$856 thousand.

(4) In August 2020, the Consolidated Company acquired 500 thousand common shares of GeneASIC Technologies Corporation (referred to as "GeneASIC Technologies") for NT$500 thousand. The Consolidated Company did not participate in GeneASIC Technologies' capital increase by cash in April 2023, resulting in a decrease in its shareholding ratio to 13.12%. As of December 31, 2023, the Consolidated Company held a 13.12% share of the issued shares of GeneASIC Technologies.

8. Financial assets measured at amortized cost

	Dec. 31, 2023	Dec. 31, 2022
Current		
Time deposits which mature in more than 3 months	$ 2,819	$ 2,782
Non-current		
Time deposits which mature in more than 1 year	$ 6,622	$ 6,522

For the information of pledged financial assets measured at amortized cost, please see Note 29.

9. Accounts receivable and other receivables

	Dec. 31, 2023	Dec. 31, 2022
Accounts receivable		
Measure at amortized cost		
Total carrying amount	$ 596,163	$ 638,601
Less: Provision for loss	(28,628)	(4)
	$ 567,535	$ 638,597
Other receivables		
Interest receivable	$ 28,576	$ 12,556
Tax refunds	15,906	16,947
Others	3,318	2,376
	$ 47,800	$ 31,879

Accounts receivable

To mitigate credit risk, the Consolidated Company's management assigns a dedicated team to determine credit limits, approve credit facilities 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 a case-by-case basis at the balance sheet date to ensure that appropriate impairment losses have been recorded for uncollectible receivables. Accordingly, the Consolidated Company's management believes that the credit risk of the Consolidated Company has been significantly reduced.

The Consolidated Company recognizes a provision for loss on accounts receivable based on the expected credit losses over the lifetime of the receivables. The lifetime expected credit losses are calculated considering the customer's past default history, current financial condition, and the economic conditions of the industry. The Consolidated Company segments its customer base based on the historical experience of credit losses and establishes expected credit loss rates based on the overdue days of accounts receivable for different customer groups.

If there is evidence indicating that a counterparty is experiencing significant financial difficulty and the Consolidated Company cannot reasonably expect to recover the amount due, the related accounts receivable are directly written off, though recovery efforts continue. Any amounts recovered through such efforts are recognized in profit or loss.

The Consolidated Company measures the provision for loss on accounts receivable using a provision matrix as follows:

Dec. 31, 2023

	Not past due	1-30 days past due	31-60 days past due	61-90 days past due	91-180 days past due	181-360 days past due	Over 360 days past due	Total
Total carrying amount	$544,876	$ 22,659	$ -	$ -	$ -	$ -	$ 28,628	$596,163
Provision for loss (expected credit loss in the duration)	-	-	-	-	-	-	(28,628)	(28,628)
Amortized cost	$544,876	$ 22,659	$ -	$ -	$ -	$ -	$ -	$567,535

Dec. 31, 2022

	Not past due	1-30 days past due	31-60 days past due	61-90 days past due	91-180 days past due	181-360 days past due	Over 360 days past due	Total
Total carrying amount	$305,585	$ 60,262	$ 15,355	$ 24,568	$232,831	$ -	$ -	$638,601
Provision for loss (expected credit loss in the duration)	-	-	-	-	(4)	-	-	(4)
Amortized cost	$305,585	$ 60,262	$ 15,355	$ 24,568	$232,827	$ -	$ -	$638,597

Changes in loss provision of accounts receivable are as follows:

	2023	2022
Beginning balance	$ 4	$ 1,484
Provision (reversal) for impairment losses	28,933	(638)
Actual write-off	-	(842)
Net exchange differences	(309)	-
Ending balance	$ 28,628	$ 4

10. Inventories

	Dec. 31, 2023	Dec. 31, 2022
Final good	$ 184,212	$ 340,443
Work-in-progress	232,607	219,087
Raw materials	434,511	968,862
	$ 851,330	$ 1,528,392

The nature of the operating cost is as follows:

	2023	2022
Cost of goods sold	$ 2,410,350	$ 2,847,706
Inventory write-down	61,551	25,675
	$ 2,471,901	$ 2,873,381

11. Subsidiaries

Subsidiaries listed in the consolidated financial statements

The consolidated financial statements were prepared based on the information of the following companies:

Name of the Investment Company	Name of Subsidiary	Nature of Business	Percentage of shareholdings Dec. 31, 2023	Percentage of shareholdings Dec. 31, 2022	Remark
The Company	AP Memory Corp, USA (hereinafter referred to as "AP-USA")	Integrated Circuit Research and Development Services	100%	100%	(1)
The Company	Powerchip Semiconductor Manufacturing Corporation	Design, Development, and Sale of Integrated Circuits	-	-	(2)
The Company	AP Memory Technology (Hangzhou) Limited Co. (hereinafter referred to as "AP Memory Technology (Hangzhou)")	Design, Development, and Sale of Integrated Circuits	100%	100%	(3)
The Company	APware Technology Corp. (hereinafter referred to as "APware")	Design, Development, and Sale of Integrated Circuits	100%	100%	(4)
The Company	VIVR Corporation (hereinafter referred to as "VIVR")	Design, Development, and Sale of Integrated Circuits	100%	100%	(5)
The Company	CascadeTeq Inc. (hereinafter referred to as "CascadeTeq")	Sale of Integrated Circuits	100%	100%	(6)
AP Memory Technology (Hangzhou)	AP Memory Technology (Hong Kong) Co. Limited (hereinafter referred to as "AP Memory Technology (Hong Kong)")	Sale of Integrated Circuits	100%	100%	(7)

(1) AP-USA was established in Oregon, USA, in February 2012, primarily engaging in the research and development services of integrated circuits. As of March 1, 2024, the Company has contributed capital of US$2,000 thousand.
(2) Powerchip Semiconductor is involved in the design, development, and sale of integrated circuit products. Considering the overall operational planning and resource allocation of the group, Powerchip Semiconductor was dissolved on June 30, 2022, with the liquidation process completed on January 12, 2023.
(3) AP Memory Technology (Hangzhou) was established in Hangzhou in December 2017, mainly engaged in the design, development, and sale of integrated circuits. As of March 1, 2024, the company's paid-in capital amount is US$2,000 thousand.
(4) To accommodate the growth scale of reinvested enterprises and future operational layout planning, the Company decided through a board resolution on October 15, 2021, to invest and establish a subsidiary, APware, in the Cayman Islands. APware was established in October 2021, mainly engaged in the design, development, and sale of integrated circuits. As of March 1, 2024, the Company has not yet actually contributed capital.
(5) In response to future product development and operational layout planning, the Company decided through a board resolution on August 30, 2022, to establish a subsidiary, VIVR, in the United States. VIVR was established in December 2022, mainly engaged in the design, development, and sale of integrated circuits and established its Taiwan branch on February 8, 2023. As of March 1, 2024, the company's paid-in capital amount is US$1,000 thousand.
(6) To accommodate future operational layout planning, the Company decided through a board resolution on October 28, 2022, to establish a subsidiary, CascadeTeq. CascadeTeq was established in December 2022, primarily engaged in the sale of integrated circuits. The Company made capital contributions of NT$5,000 thousand in December 2022 and January 2024, respectively. As of March 1, 2024, the company's paid-in capital amount is NT$10,000 thousand.
(7) AP Memory Technology (Hangzhou) established AP Memory Technology (Hong Kong) in Hong Kong in October 2019, primarily engaged in the sale of integrated circuits. AP Memory Technology (Hangzhou) contributed capital of US$10 thousand in June 2021. As of March 1, 2024, the company's paid-in capital amount is US$10 thousand.

12. Investments accounted for using the equity method

	Dec. 31, 2023	Dec. 31, 2022
Investments in associates		
Non-significant associates		
Lyontek Inc. (hereinafter referred to as "Lyontek") (1)	$ 91,867	$ 88,690
ONECENT TECHNOLOGY LTD. (hereinafter referred to as "ONECENT") (2)	14,144	26,301
	$ 106,011	$ 114,991

Summary information regarding the Consolidated Company's associates is as follows:

	2023	2022
Shares owned by the Consolidated Company		
Net income (losses)	($ 543)	$ 5,964
Other comprehensive income	2,035	-
Total comprehensive income	$ 1,492	$ 5,964

(1) In October 2016, the Consolidated Company invested NT$75,060 thousand to acquire 3,600 thousand common shares of Lyontek, representing a 30% ownership interest. The goodwill generated from the acquisition of Lyontek amounting to NT$2,610 thousand was recognized in the cost of investment in associate.

(2) The Consolidated Company made investments of NT$238 thousand in May 2022 and NT$33,533 thousand in August 2022, cumulatively acquiring 3,600 thousand common shares of ONECENT, representing a 48% ownership interest. The management of the Company considers that it has significant influence over ONECENT, thus classifying it as an associate of the Consolidated Company. The goodwill and intangible assets arising from the acquisition of ONECENT were recognized in the related costs of investment in the associate.

The profit or loss and other comprehensive income shares of ONECENT, an associated company accounted for using the equity method, are calculated based on unaudited financial statements. however, the Company's management believes that the unaudited financial reports of the said investee company do not have a significant impact.

13. Property, plant and equipment

	Machinery	Computers and Communication Equipment	Office Equipment	Leasehold Improvements	Total
Cost					
Balance on Jan. 1, 2023	$ 168,238	$ 13,579	$ 4,952	$ 16,736	$ 203,505
Addition	6,172	3,441	-	1,170	10,783
Internal transfers	34,777	-	-	-	34,777
Net exchange differences	(25)	(23)	(37)	(31)	(116)
Balance, Dec. 31, 2023	209,162	16,997	4,915	17,875	248,949
Accumulated depreciation					
Balance on Jan. 1, 2023	97,558	9,750	4,420	11,143	122,871
Depreciation expense	22,422	2,431	270	3,747	28,870
Internal transfers	20,866	-	-	-	20,866
	2 5	2 5	2 5	2 5	
Net exchange differences	(24))	(8))	(37))	(27))	(96)
Balance, Dec. 31, 2023	140,822	12,173	4,653	14,863	172,511
Balance on Dec. 31, 2023, net of tax	$ 68,340	$ 4,824	$ 262	$ 3,012	$ 76,438
Cost					
Balance, Jan. 1, 2022	$ 146,711	$ 11,294	$ 4,259	$ 16,364	$ 178,628
Addition	22,046	2,364	657	353	25,420
Disposal	(539)	(178)	-	-	(717)
Net exchange differences	20	99	36	19	174
Balance, Dec. 31, 2022	168,238	13,579	4,952	16,736	203,505
Accumulated depreciation					
Balance, Jan. 1, 2022	77,546	8,361	3,971	7,351	97,229
Depreciation expense	20,049	1,482	417	3,772	25,720
Disposal	(45)	(178)	-	-	(223)
Net exchange differences	8	85	32	20	145
Balance, Dec. 31, 2022	97,558	9,750	4,420	11,143	122,871
Balance on Dec. 31, 2022, net of tax	$ 70,680	$ 3,829	$ 532	$ 5,593	$ 80,634

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

Machinery	2-5 years
Computers and Communication Equipment	3-7 years
Office Equipment	3-7 years
Leasehold Improvements	3 years

14. Lease Agreements

(1) Right-of-use assets

	Dec. 31, 2023	Dec. 31, 2022
Carrying amount of right-of-use assets		
Buildings	$ 24,690	$ 18,000
Machinery	28,401	62,018
	$ 53,091	$ 80,018
Addition of right-of-use assets	$ 21,282	$ 14,612
Depreciation expense of right-of-use assets		
Buildings	$ 14,520	$ 12,290
Machinery	19,707	20,866
	$ 34,227	$ 33,156

(2) Lease liabilities

	Dec. 31, 2023	Dec. 31, 2022
Carrying amount of lease liabilities		
Current	$ 25,917	$ 54,559
Non-current	$ 9,940	$ 9,122

The discount rate range for lease liabilities is as follows:

	Dec. 31, 2023	Dec. 31, 2022
Buildings	2%~4%	2%~4%
Machinery	1.8%	1.8%

(3) Other leasing information

	2023	2022
Short-term lease expenses	$ 5,272	$ 4,556
Total amount of cash (outflow) from lease	($ 55,332)	($ 48,390)

The Consolidated Company has elected to apply the recognition exemption for short-term leases related to offices, dormitories, and several parking spaces, not recognizing right-of-use assets and lease liabilities for these leases.

15. Other intangible assets

	Computer Software	Technical Authorization	Total
Cost			
Balance on Jan. 1, 2023	$ 125,005	$ -	$ 125,005
Addition	12,149	-	12,149
Decrease	(51,491)	-	(51,491)
Reclassification	-	60,800	60,800
Net exchange differences	564	-	564
Balance, Dec. 31, 2023	$ 86,227	$ 60,800	$ 147,027
Accumulated amortization			
Balance on Jan. 1, 2023	$ 103,294	$ -	$ 103,294
Amortization expense	16,652	1,689	18,341
Decrease	(51,491)	-	(51,491)
Net exchange differences	520	-	520
Balance, Dec. 31, 2023	$ 68,975	$ 1,689	$ 70,664
Balance on Dec. 31, 2023, net of tax	$ 17,252	$ 59,111	$ 76,363
Cost			
Balance, Jan. 1, 2022	$ 100,349	$ -	$ 100,349
Addition	19,194	-	19,194
Net exchange differences	5,462	-	5,462
Balance, Dec. 31, 2022	$ 125,005	$ -	$ 125,005
Accumulated amortization			
Balance, Jan. 1, 2022	$ 83,371	$ -	$ 83,371
Amortization expense	15,799	-	15,799
Net exchange differences	4,124	-	4,124
Balance, Dec. 31, 2022	$ 103,294	$ -	$ 103,294
Balance on Dec. 31, 2022, net of tax	$ 21,711	$ -	$ 21,711

Amortization expense is calculated on a straight-line basis over the following useful lives:

Computer software	1-3 years
Technical Authorization	3 years

16. Other assets

	Dec. 31, 2023	Dec. 31, 2022
Current		
Prepayments	$ 52,771	$ 48,751
Overpaid tax retained for offsetting the future tax payable	2,514	5,090
Others	518	8,615
	$ 55,803	$ 62,456
Non-current		
Photomasks and probe cards	$ 128,960	$ 116,676
Prepaid bonuses	18,178	11,719
Long-term prepayments	-	60,800
	$ 147,138	$ 189,195

17. Loans (As of Dec. 31, 2022: None.)

Short-term loans

	Dec. 31, 2023
Unsecured loans	
Loans using credit facilities	$ 300,000

The interest rate for loans using credit facilities as of December 31, 2023, was 1.60% to 1.98%.

18. Other liabilities

	Dec. 31, 2023	Dec. 31, 2022
Current		
Other payables		
Employee compensation payable	$ 56,502	$ 71,466
Salaries and bonuses payable	56,248	21,888
Validation fees payable	23,307	189
Photomasks and probe cards payable	8,319	13,759
Compensation for leaves payable	6,246	7,371
Director compensation payable	4,800	5,000
Commissioned research expenses payable	4,312	1,228
Labor and health insurance premiums payable	3,231	2,547
Pension payable	2,775	2,450
Service fees payable	2,488	2,583
Equipment expense payable	951	695
Repair and custodian fees payable	917	-
Others	19,670	17,388
	$ 189,766	$ 146,564
Other liabilities		
Accounts collected on behalf of others	$ 3,978	$ 2,387
Others	6,239	875
	$ 10,217	$ 3,262

19. Post-Employment Benefit Plans

Defined contribution plan

The retirement pension scheme applicable to the Company within the Consolidated Company, under the "Labor Pension Act", is a government-managed defined contribution plan. Contributions of 6% of monthly salaries are made to the individual accounts at the Bureau of Labor Insurance.

Employees of the Consolidated Company's subsidiaries in China, the United States, and Japan are members of the local government-operated retirement benefit plans. These subsidiaries are required to contribute a specific percentage of salary costs to the retirement benefit plans to fund these retirement benefit plans. The Consolidated Company's obligation to these government-operated retirement benefit plans is limited to making specified contributions.

20. Equity

(1) Share Capital

1. Common shares

	Dec. 31, 2023	Dec. 31, 2022
Authorized shares (1,000 shares)	200,000	200,000
Authorized share capital	$ 1,000,000	$ 1,000,000
Number of issued shares fully paid by shareholders (1,000 shares)	162,004	161,557
Capital for issued shares	$ 810,020	$ 807,786
Prepaid share capital	$ 1,739	$ 848

Changes in the Company's share capital resulted from the issuance of global depository receipts, employees exercising employee stock options, and the write-down of treasury stock.

As of December 31, 2023, and 2022, the Company had 8,500 and 10,500 units of exercised employee stock options not yet issued as new ordinary shares, respectively, with the exercise prices received amounting to NT$1,739 thousand and NT$848 thousand accounted for as advance share capital.

The number of shares issued for employee stock options that had not been approved by the company registration authority as of December 31, 2023, was 129,500 shares.

2. Issuance of Global Depositary Receipts

On December 6, 2021, the Company decided through an extraordinary shareholders' meeting to conduct a capital increase by cash for the issuance of ordinary shares to participate in the issuance of global depository receipts. On January 25, 2022, 6,400 thousand units of global depository receipts were issued on the Luxembourg Stock Exchange, priced at US$29.65 per unit, with each unit representing 2 shares of the Company, totaling 12,800 thousand shares, raising a total of US$189,760 thousand. The aforementioned global depository receipts were all redeemed in February 2022.

(2) Capital surplus

	Dec. 31, 2023	Dec. 31, 2022
May be used to make good losses, to make cash payments or to increase capital (1)		
Shares issued at premium	$ 5,755,217	$ 5,731,976
Exercised and invalid employee stock options	197,605	189,031
Differences between the gain on acquisition or disposal of subsidiaries’ shares and their carrying values	153,042	153,042
Acquired restricted shares for employees	47,595	47,595
Shares kept for employee stock options after capital increase by cash	467	467
	6,153,926	6,122,111
Only can be used to make good losses (2)		
Changes in the ownership of subsidiaries recognized for using the equity method	1,089	401
Cannot be used for any other purpose		
Employee stock options	79,415	56,435
	$ 6,234,430	$ 6,178,947

1. This type of capital surplus can be used to offset losses, or it can be used to issue cash dividends or increase share capital when the company has no losses. However, when increasing share capital, it is limited to a certain ratio of the paid-in share capital each year.

2. The capital surplus arising from the recognition of changes in ownership interests in subsidiaries, other than for covering deficits, shall not be used for any other purposes.

(3) Retained Earnings and Dividend Policy

According to the Company's articles of incorporation regarding the profit distribution policy, if there is a profit for the fiscal year, after legally paying taxes and compensating for accumulated losses, 10% of the profit is allocated to the legal reserve. The remainder is allocated or reversed to the special reserve as per legal requirements. If there is still a balance, along with the accumulated undistributed earnings, the board of directors shall draft a profit distribution proposal. When distributing by issuing new shares, it shall be resolved by the shareholders' meeting; when distributing in cash, it requires a resolution passed by more than two-thirds of directors present at the board meeting and more than half of the votes of the directors attending, and to be reported at the shareholders' meeting. The employee and director compensation distribution policy stipulated in the Company's articles of incorporation is referenced in Note 22(3) on “Compensation to employees and directors”.

Considering the Company's environment and growth stage, in response to future capital needs and long-term financial planning, dividends can be distributed in the form of cash dividends or stock dividends, where the ratio of cash dividends should not be less than 20% of the total dividend distribution to shareholders.

The aforementioned dividend distribution ratio can be adjusted by the shareholders' meeting based on the Company's actual profit and financial situation for the year.

The legal reserve must be allocated until its balance reaches the total amount of the Company's paid-in capital. The legal reserve can be used to offset losses. When the Company has no losses, the portion of the legal reserve exceeding 25% of the paid-in capital can be used for cash distribution besides capital increase.

The profit distribution proposals for the years 2022 and 2021 are as follows:

	2022	2021
Legal reserve	$ 194,170	$ 202,546
Special reserve recognition	$ 450	$ -
Cash dividends	$ 1,132,458	$ 968,275
Cash dividends per share (TWD)	$ 7.0	$ 6.0

The cash dividends mentioned above were resolved by the Board of Directors on February 24, 2023, and February 25, 2022, respectively, while the rest of the profit distribution items were also resolved in the regular meeting of shareholders on May 29, 2023, and May 27, 2022, respectively. Additionally, the cash dividends per share for 2021 have been adjusted to reflect the increase in the number of shares in circulation following the change in par value of stock.

Due to the execution of employee stock options, the actual cash dividends per share for 2022 and 2021 were adjusted to NT$6.99660505 and NT$5.99628435, respectively.

The profit distribution plan proposed by the Company's Board of Directors for the year 2023 on March 1, 2024 is as follows:

	2023
Legal reserve	$ 144,497
Reversal on special reserve	($ 107)
Cash dividends	$ 1,135,107
Cash dividends per share (TWD)	$ 7.0

The cash dividends have been resolved by the Board of Directors, with the remainder expected to be decided at the regular meeting of shareholders scheduled for May 27, 2024.

(4) Other equity items

Exchange differences arising on translation of foreign operations:

	2023	2022
Beginning balance	($ 450)	$ 8,728
Exchange differences arising on translation of foreign operations	107	4,265
Other comprehensive income	107	4,265
Adjustments for reclassified items		
Disposal of operations	-	(13,443)
Ending balance	($ 343)	($ 450)

(5) Treasury stock (2023: None.)

	Shares transferred to employees (1,000 shares)
2022	
Beginning number of shares	516
Decrease	(516)
Ending number of shares	-

To transfer shares to employees, the Company resolved through the Board of Directors on October 8, 2018, to repurchase treasury stocks during the period from October 9, 2018, to December 8, 2018, repurchasing 258 thousand shares at a total price of NT$11,246 thousand. Following the amendment of the Company's articles of incorporation approved in the regular meeting of shareholders in August 2021 to change the par value per share from NT$10 to NT$5, and the completion of the related conversion in October 2021, the number of repurchased treasury shares increased to 516 thousand. On February 25, 2022, the Company resolved through the Board of Directors to write down 516 thousand treasury shares and completed the related change registration.

Under the Securities and Exchange Act, the proportion of the Company's repurchased shares cannot exceed 10% of the total issued shares, and the total amount spent on the repurchase cannot exceed the amount of retained earnings plus the premium on issued shares and realized capital surplus. Shares repurchased for transfer to employees must be transferred within three years from the repurchase date; those not transferred within this period are considered unissued shares and must undergo change registration. Shares repurchased to protect the Company's credit and shareholder interests must be cancelled and undergo change registration within six months from the repurchase date. According to the Securities and Exchange Act, treasury stocks held by the Company cannot be pledged, and no shareholder rights are exercisable before transfer.

21. Revenue

	2023	2022
Income from customer contracts		
Merchandise sales revenue	$ 3,902,005	$ 4,646,381
Service revenue	205,724	277,245
Licensing revenue	90,214	152,451
Other income	28,964	18,698
	$ 4,226,907	$ 5,094,775

(1) Description of customer contracts

Refer to Note 4(13) for details.

(2) Contract balances

	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
Accounts receivable (Note 9)	$ 567,535	$ 638,597	$ 854,080
Contract liabilities			
Merchandise sales	$ 68,828	$ 23,043	$ 173,602

The changes in contract liabilities primarily result from the difference between the timing of fulfilling performance obligations and the timing of receiving payments from customers.

The amount recognized as revenue in the current year from contract liabilities at the beginning of the year is as follows:

	2023	2022
From beginning contract liabilities		
Merchandise sales	$ 23,043	$ 173,602

22. Net income

(1) Depreciation and amortization

	2023	2022
Property, plant and equipment	$ 28,870	$ 25,720
Right-of-use assets	34,227	33,156
Other intangible assets	18,341	15,799
	$ 81,438	$ 74,675
Depreciation expense is summarized by function		
Cost of sales	$ 42,477	$ 40,654
Operating expenses	20,620	18,222
	$ 63,097	$ 58,876
Amortization expense is summarized by function		
Cost of sales	$ 105	$ 30
Operating expenses	18,236	15,769
	$ 18,341	$ 15,799

(2) Employee benefit expenses

	2023	2022
Benefits after retirement		
Defined contribution plan (Note 19)	$ 16,338	$ 14,074
Share-based payment		
Equity settlement	31,554	26,099
Other employee benefits		
Salary expense	466,533	386,598
Labor and health insurance premium expense	28,710	24,095
Other personnel expenses	25,598	22,148
	520,841	432,841
Total employee benefit expenses	$ 568,733	$ 473,014
Summarized by function		
Cost of sales	$ 49,116	$ 53,660
Operating expense	519,617	419,354
	$ 568,733	$ 473,014

(3) Compensation to employees and directors

The Company allocates employee compensation of not less than 1% and director compensation of not more than 3% of the annual pre-tax profit before deductions for compensation to employees and directors.

The estimated compensation to employees and directors for 2023 and 2022 were resolved by the board of directors on March 1, 2024, and February 24, 2023, respectively:

Estimated proportion

	2023	2022
Compensation to employees	2.17%	1.41%
Compensation to directors	0.29%	0.20%

Amount

	2023	2022
Compensation to employees	$ 36,057	$ 35,191
Compensation to directors	4,800	5,000

If the amounts change after the approval date of the annual consolidated financial statements, they will be treated as changes in accounting estimates and adjusted in the accounts in the following year.

The actual distribution amounts for compensation to employees and directors for 2022 and 2021 showed no difference from the amounts recognized in the 2022 and 2021 consolidated financial statements.

For information on the compensation to employees and directors resolved by the Company's board of directors, please refer to the Taiwan Stock Exchange's "Market Observation Post System".

(4) Foreign currency exchange gains (losses)

	2023	2022
Total gains on foreign exchange	$ 723,621	$ 1,342,335
Total losses on foreign exchange	(714,521)	(641,353)
Net income (losses)	$ 9,100	$ 700,982

23. Income tax

(1) The major components of income tax expense recognized in profit or losses:

	2023	2022
Current income tax expense		
Generated in the fiscal year	($ 273,606)	($ 465,660)
Additional tax on undistributed earnings	(30,447)	(42,732)
Investment tax credits	36,188	-
Adjustment from previous years	98,974	20,982
	(168,891)	(487,410)
Deferred income tax		
Generated in the fiscal year	(5,120)	(20,177)
Income tax expense recognized in profit or losses	($ 174,011)	($ 507,587)

The reconciliation of income before income tax and income tax expense recognized in profit or loss is as follows:

	2023	2022
Net income before tax	$ 1,618,981	$ 2,449,283
Income tax expenses for the tax on net income before tax at statutory rate	($ 323,485)	($ 490,246)
Unrecognizable income for tax purposes	54,800	4,409
Estimated investment tax credits	36,188	-
Adjustments from the income tax of previous years	98,974	20,982
Unrecognized temporary differences	(10,041)	-
Tax on undistributed Earnings	(30,447)	(42,732)
Income tax expense recognized in profit or losses	($ 174,011)	($ 507,587)

(2) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2023

Deferred income tax assets	Beginning balance	Recognized in profit or losses	Ending balance
Temporary differences			
Allowances for losses on market price decline and obsolete and slow-moving inventories	$ 28,725	$ 12,325	$ 41,050
Leaves payable	1,475	(225)	1,250
Foreign exchange losses	963	2,785	3,748
Losses on foreign investments accounted for using the equity method	-	11,943	11,943
Losses due to bad debts	-	498	498
	$ 31,163	$ 27,326	$ 58,489

Deferred income tax liabilities	Beginning balance	Recognized in profit or losses	Ending balance
Temporary differences			
Financial assets measured at FVTPL	$ 43,717	$ 24,930	$ 68,647
Profit on foreign exchange	1,415	223	1,638
Profit on foreign investments accounted for using the equity method	-	7,293	7,293
	$ 45,132	$ 32,446	$ 77,578

2022

Deferred income tax assets	Beginning balance	Recognized in profit or losses	Ending balance
Temporary differences			
Foreign exchange losses	$ 596	$ 367	$ 963
Leaves payable	1,286	189	1,475
Allowances for losses on market price decline and obsolete and slow-moving inventories	23,604	5,121	28,725
	$ 25,486	$ 5,677	$ 31,163

Deferred income tax liabilities	Beginning balance	Recognized in profit or losses	Ending balance
Temporary differences			
Financial assets measured at FVTPL	$ 18,721	$ 24,996	$ 43,717
Profit on foreign exchange	557	858	1,415
	$ 19,278	$ 25,854	$ 45,132

(3) Income tax assessments

The Company's profit-seeking enterprise income tax filings up to 2021 have been assessed by the tax collection authority. The subsidiary Powerchip Semiconductor has completed its liquidation, and its filings for previous years have also been assessed by the tax collection authority.

24. Earnings per share

(NT$ per share)

	2023	2022
Basic earnings per share	$ 8.93	$ 12.09
Diluted earnings per share	$ 8.85	$ 11.96

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

Net income (loss) for the year

	2023	2022
Net income used for calculating the basic and diluted earnings per share	$ 1,444,970	$ 1,941,696

Number of shares

(In thousand shares)

	2023	2022
Weighted-average number of common shares for basic and diluted earnings (loss) per share calculations	161,847	160,602
Effects of dilutive potential common shares		
Employee stock options	1,313	1,453
Compensation to employees	95	246
Weighted-average number of common shares for diluted earnings (loss) per share calculation	163,255	162,301

If the Company has the option to distribute employee compensation in stock or cash, when calculating diluted earnings per share, it is assumed that employee compensation are to be distributed in the form of stock. This potential common stock is included in the weighted average number of shares outstanding for the calculation of diluted earnings per share if it has a dilutive effect. This consideration of the dilutive effect of such potential common stock continues until the number of shares to be distributed for employee compensation is determined in the following year.

25. Share-based payment agreement

Employee stock option plan

Date of Payment	Dec. 22, 2023	Apr. 28, 2023	Dec. 23, 2022	Apr. 29, 2022	Mar. 12, 2021	Sep. 26, 2020	Dec. 20, 2019	Apr. 26, 2019	Nov. 9, 2018	Jan. 25, 2017
Date of approval by the board	Aug. 30, 2022	Aug. 30, 2022	Aug. 30, 2022	Jul. 30, 2021	Aug. 7, 2020	Aug. 7, 2020	Apr. 26, 2019	Aug. 8, 2018	Aug. 8, 2018	Nov. 3, 2016
Units given	398,400	173,670	426,330	267,000	69,430	319,000	750,000	8,000	692,000	680,000
Exercise price (TWD) (Notes 1 and 2)	457.5	279.5	170	251	781	333.5	83.7	43.85	44.8	81.70
Number of shares for a unit (Note 2)	1 common share	1 common share	1 common share	1 common share	1 common share	1 common share	1 common share	1 common share	1 common share	1 common share
Given to	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions
Vesting condition (Note 3)	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 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%
Duration (year)	10	10	10	10	10	10	10	10	10	10

Note 1: After the issuance of employee stock options, if there is a change in the Company's common shares or the Company distributes cash dividends, the exercise price of the stock options will be adjusted according to a specified formula. If the adjustment formula necessitates a re-measurement of the exercise price and if the adjusted exercise price exceeds the pre-adjustment exercise price, the exercise price will not be adjusted.

Note 2: After the issuance of employee stock options, if the Company undergoes a change in stock par value, the exercise price of the stock options will first be adjusted according to a specified formula, followed by an adjustment to the subscription ratio. However, stock options that have already been exercised will not be retroactively adjusted. In August 2021, the Company amended its articles of incorporation as resolved in the regular meeting of shareholders, changing the par value per share from NT$10 to NT$5, and completed the related conversion in October 2021. This resulted in the exercise price per share of stock options granted before October 2021 being adjusted to 50% of the original exercise price, with the number of shares each option could purchase adjusted from 1 share to 2 shares.

Note 3: Calculated from the date the employee stock options were granted.

Information related to the issued employee stock options is as follows:

	2023		2022	
Employee stock options	Units	Weighted Average Exercise Price (TWD)	Units	Weighted Average Exercise Price (TWD)
Beginning outstanding	1,754,073	$ 188.65	1,391,430	$ 162.99
Given in the fiscal year	572,070	401.70	693,330	201.19
Expired in the fiscal year	(160,445)	175.12	(223,000)	71.75
Exercised in the fiscal year	(223,350)	114.06	(107,687)	116.77
Ending outstanding	1,942,348	257.72	1,754,073	188.65
Exercisable at the end of the fiscal year	422,863	146.68	348,250	122.12
Weighted-average fair value of the stock options given in the fiscal year (TWD)	$ 189.92		$ 93.76	

The weighted average share price at the date of exercise for employee stock options in 2023 and 2022 was NT$299.90 and NT$362.74, respectively.

As of the balance sheet date, information related to outstanding employee stock options is as follows:

Dec. 31, 2023			Dec. 31, 2022		
Date of Issue	Exercise Price (TWD)	Weighted-average Contract Duration Left (year)	Date of Issue	Exercise Price (TWD)	Weighted-average Contract Duration Left (year)
Nov. 09, 2018	$ 42.40	4.86	Jan. 25, 2017	$ 71.40	4.07
Apr. 26, 2019	41.40	5.32	Nov. 9, 2018	43.20	5.86
Dec. 20, 2019	79.20	5.98	Apr. 26, 2019	42.20	6.32
Sep.26, 2020	316.00	6.74	Dec. 20, 2019	80.80	6.98
Mar. 12, 2021	739.60	7.20	Sep. 26, 2020	322.80	7.74
Apr. 29, 2022	240.90	8.33	Mar. 12, 2021	755.40	8.20
Dec. 23, 2022	166.50	8.99	Apr. 29, 2022	246.00	9.33
Apr. 28, 2023	273.70	9.33	Dec. 23, 2022	170.00	9.99
Dec. 22, 2023	457.50	9.98			

The employee stock options granted by the Company in December 2023, April 2023, December 2022, and April 2022 were valued using the binomial option pricing model, with the parameters used in the valuation model as follows:

Year of Giving	Dec. 2023	Apr. 2023	Dec. 2022	Apr. 2022
Fair value as of the giving date	NT$180.44~247.78	NT$105.05~151.06	NT$63.59~92.52	NT$92.47~137.32
Exercise price	NT$457.50	NT$279.50	NT$170.00	NT$251.00
Expected volatility	61.98%~66.32%	63.00%~65.36%	63.42%~64.94%	63.93%
Expected duration	6~7.5 years	6~7.5 years	6~7.5 years	6~7.5 years
Expected dividend yield	-	-	-	-
Risk-free interest rate	1.18%~1.20%	1.11%~1.14%	1.17%~1.22%	1.10%~1.17%

The expected volatility is calculated based on the historical stock price volatility of similar companies. The Company assumes that employees will exercise their stock options at the midpoint between the vesting period end and the expiration date of the options.

The compensation costs recognized for 2023 and 2022 were NT$31,554 thousand and NT$26,099 thousand, respectively.

26. Capital Risk Management

The Consolidated Company conducts capital management to ensure its ability to continue as a going concern while maximizing shareholder returns through optimizing the balance of debt and equity.

The capital structure of the Consolidated Company consists of equity of the Consolidated Company, which includes share capital, capital surplus, retained earnings, and other equity items.

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

The management of the Consolidated Company regularly reviews the capital structure, considering the costs and risks associated with various capital structures. Generally, the Consolidated Company employs a cautious risk management strategy.

27. Financial Instruments

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

The main management of the Consolidated Company believes that the carrying amounts of financial assets and financial liabilities not measured at fair value in the consolidated financial statements approximate their fair values.

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

1. Fair value hierarchy

Dec. 31, 2023

	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Investments in equity instruments	$ 766,000	$ -	$ 373,267	$ 1,139,267

Dec. 31, 2022

	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Investments in equity instruments	$ 5,368	$ -	$ 250,639	$ 256,007

2. Reconciliation of Level 3 fair value measurements of financial instruments

2023

Financial Assets	Measured at Fair Value through Profit or Loss Equity Instruments
Beginning balance	$ 250,639
Recognized in profit or losses	122,628
Ending balance	$ 373,267
Unrealized gains related to the assets held at the end of year and recognized in profit or losses	$ 122,628

2022

Financial Assets	Measured at Fair Value through Profit or Loss Equity Instruments
Beginning balance	$ 129,988
Recognized in profit or losses	120,651
Ending balance	$ 250,639
Unrealized gains related to the assets held at the end of year and recognized in profit or losses	$ 120,651

3. Level 3 fair value measurement techniques and inputs

Financial instruments	Evaluation techniques and input values
Unlisted domestic and foreign stocks	1. The market approach is used, referring to the valuation of similar companies and recent fundraising activities of the investee company to measure its fair value. 2. The asset approach is used, referring to the total market value of the individual assets and individual liabilities of the investee company to measure its fair value.

(3) Categories of financial instruments

	Dec. 31, 2023	Dec. 31, 2022
Financial assets		
Investments in equity instruments measured at fair value through profit or loss	$ 1,139,267	$ 256,007
Measured at amortized cost (Note 1)	9,932,611	9,309,717
Financial liabilities		
Measured at amortized cost (Note 2)	760,952	310,525

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

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

(4) Financial Risk Management Objectives and Policies

The primary financial instruments of the Consolidated Company include equity and debt instrument investments, accounts receivable, other receivables, refundable deposits, loans, accounts payable, other payables, lease liabilities, and deposits received. The financial management department of the Consolidated Company provides services to business units, overseeing and managing financial risks related to the operations of the Consolidated Company.

These risks include market risks (including exchange rate risk, interest rate risk, and other price risks), credit risks, and liquidity risks.

1. Market Risk

The main financial risks borne by the Consolidated Company due to its operating activities include foreign currency exchange rate risk (see below (1)), interest rate risk (see below (2)), and other price risks (see below (3)).

There has been no change in the consolidated company's exposure to market risks related to financial instruments and the ways in which it manages and measures such exposures.

(1) Exchange rate risk

Several subsidiaries of the Company are involved in transactions of sales and purchases denominated in foreign currencies, thereby exposing the Consolidated Company to exchange rate fluctuation risks.

Refer to Note 31 for the carrying amounts of monetary assets and liabilities denominated in non-functional currencies at the balance sheet date.

Sensitivity Analysis

The Consolidated Company is primarily affected by fluctuations in the USD exchange rate.

The table below details a sensitivity analysis for the Consolidated Company when the exchange rate of the functional currency against the USD increases or decreases by 5%. The sensitivity analysis only includes monetary items denominated in foreign currencies that are outstanding at year-end and adjusts their conversion at the end of the year by a 5% change in exchange rates. The positive figures in the table indicate the amount by which net income before tax would decrease when the functional currency appreciates by 5% against the USD; when the functional currency depreciates by 5% against the USD, the impact on net income before tax would be the same amount in negative.

	USD Impact	
	2023	2022
Gain or loss (i)	$ 384,498	$ 382,453

(i) Mainly arising from the Consolidated Company's USD-denominated current and fixed deposits, accounts receivable, other receivables, accounts payable, and other payables that are outstanding at the balance sheet date and not hedged for cash flow.

(2) Interest rate risk

The carrying amount of the consolidated Company's financial assets with exposure to interest rates at the end of the reporting period were as follows:

	Dec. 31, 2023	Dec. 31, 2022
Fair value interest rate risk		
－Financial assets	$ 8,504,950	$ 7,079,231
－Financial liabilities	335,857	63,681
Cash flow interest rate risk		
－Financial assets	368,627	1,112,434
－Financial liabilities	-	-

Sensitivity Analysis

The sensitivity analysis for interest rate risk is determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate assets and liabilities, the analysis assumes that the amounts of assets and liabilities outstanding at the balance sheet date were outstanding for the entire reporting period. An increase of 50 basis points, with all other variables held constant, would increase the Consolidated Company's net income before tax by NT$1,843 thousand and NT$5,562 thousand for 2023 and 2022, respectively, mainly due to the Consolidated Company's floating rate deposits.

(3) Other price risk

The price risk of financial assets measured at fair value through profit or loss for the Consolidated Company in 2023 and 2022 primarily arises from equity instrument investments.

Sensitivity Analysis

The following sensitivity analysis is based on equity prices at the balance sheet date.

If equity prices were to increase/decrease by 5%, the net income before tax of the Consolidated Company for 2023 and 2022 would respectively increase/decrease by NT$56,963 thousand and NT$12,800 thousand, due to the change in fair value of financial assets measured at fair value through profit or loss.

2. Credit Risk

Credit risk refers to the risk of financial loss to the Consolidated Company if a counterparty to a financial instrument fails to meet its contractual obligations. As of the balance sheet date, the maximum exposure to credit risk that could cause financial loss to the Consolidated Company mainly arises from the carrying amounts of financial assets recognized on the consolidated balance sheet.

The policy adopted by the Consolidated Company involves transacting with creditworthy parties and obtaining adequate collateral, where necessary, to mitigate the financial loss from defaults. The Consolidated Company uses publicly available financial information and its transaction history to rate its major customers. The Consolidated Company continuously monitors credit exposure and the credit ratings of its counterparties, distributing the total transaction volume across customers with qualified credit ratings.

The credit risk of the Consolidated Company is primarily concentrated on a few customers. As of December 31, 2023, and 2022, the accounts receivable balances exceeding 10% of the total are summarized as follows:

	Dec. 31, 2023
Customer D	$ 181,366
Customer A	160,633
	$ 341,999

	Dec. 31, 2022
Customer C	$ 178,267
Customer D	145,215
Customer A	66,709
	$ 390,191

To mitigate credit risk, the management of the Consolidated Company has assigned a dedicated team responsible for deciding on credit limits, approving credit, and other monitoring procedures to ensure that appropriate actions are taken for the recovery of overdue receivables. Moreover, at the balance sheet date, the Consolidated Company reviews the recoverability of receivables to ensure that appropriate impairment losses are recognized for irrecoverable amounts. Based on this, the management of the Consolidated Company believes that the credit risk has been significantly reduced.

3. Liquidity Risk

The objective of managing liquidity risk is to ensure that the Consolidated Company has sufficient liquidity to meet its operational needs over the next 12 months. The Consolidated Company achieves this by maintaining adequate levels of cash and cash equivalents to meet its contractual obligations, continuously controlling changes in cash flows, net cash positions, and significant capital expenditures, timely monitoring the usage of bank financing facilities, and ensuring compliance with loan agreement terms.

Bank borrowings are an important source of liquidity for the Consolidated Company. Refer to the explanation below for the unused borrowing facilities of the Consolidated Company.

(1) Liquidity and interest rate risk table

The table below details the remaining contractual maturity analysis of non-derivative financial liabilities of the Consolidated Company with agreed repayment periods, based on the earliest date the Consolidated Company could be required to pay. The table is prepared using the undiscounted cash flows of financial liabilities, including both interest and principal cash flows.

Dec. 31, 2023

	Weighted average effective interest rate (%)	Request pay-as-you-go or less than 3 months	3 months to 1 year	1-5 years	Over 5 years
Non-derivative financial liabilities					
No interest-bearing liabilities	-	$ 416,151	$ 28,801	$ -	$ -
Lease liabilities	2.26	16,693	9,619	10,114	-
Fixed rate instruments	1.81	300,496	-	-	-
		$ 733,340	$ 38,420	$ 10,114	$ -

Dec. 31, 2022

	Weighted average effective interest rate (%)	Request pay-as-you-go or less than 3 months	3 months to 1 year	1-5 years	Over 5 years
Non-derivative financial liabilities					
No interest-bearing liabilities	-	$ 208,457	$ 88,068	$ -	$ -
Lease liabilities	2.11	14,330	41,089	9,216	-
		$ 222,787	$ 129,157	$ 9,216	$ -

(2) Amount of financing

	Dec. 31, 2023	Dec. 31, 2022
Amount of bank loan		
Amount utilized	$ 300,000	$ -
Amount unutilized	610,575	600,000
	$ 910,575	$ 600,000

The operating capital and financing amount of the Consolidated Company are sufficient to support operational needs, thus there is no liquidity risk arising from the inability to raise funds to fulfill contractual obligations.

28. Related Party Transactions

The transactions, account balances, income, and expenses between the company and its subsidiaries (the related parties of the Company) have been fully eliminated during the consolidation process, and therefore, they are not disclosed in this note.

Other than the part disclosed in other notes, transactions between the consolidated company and other related parties are as follows:

(1) Related party names and categories

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

(2) Net revenue

Items	Related party category	2023	2022
Sales revenue	Associate	$ 7,377	$ 9,828
Service revenue	Associate	$ 1	$ 164

Transactions with related parties for sales are processed at prices agreed upon by both parties, with payment periods comparable to those of general customers.

(3) Key management personnel compensation

	2023	2022
Short-term employee benefits	$ 51,924	$ 54,620
Post-employment benefits	324	333
Share-based payment	8,626	4,025
	$ 60,874	$ 58,978

The compensation to directors and other key management personnel is determined by the Remuneration Committee based on individual performance and market trends.

29. Pledged Assets

The following assets have been provided as customs guarantee for the import of raw materials:

	Dec. 31, 2023	Dec. 31, 2022
Pledged time deposits (financial assets measured at amortized cost)	$ 2,819	$ 2,782

30. Significant Contingent Liabilities and Unrecognized Commitments

In addition to the other notes described, the consolidated company's significant commitments and contingencies as of the balance sheet date are as follows:

Significant Commitments

The Consolidated Company has entered into long-term contracts for the purchase of raw materials with suppliers, from October 2021 to December 2024, and provided NT$443,440 thousand as a capacity purchase deposit in October 2021. The contract also specifies monthly purchase quantities and compensation for shortfalls if purchases do not meet contractual amounts. Considering the current trading pattern and actual dealings with the suppliers, the Consolidated Company assesses that there is no significant likelihood of compensation being required, therefore these contracts do not have a significant impact on the financial and operational aspects.

31. Information on Foreign Currency Financial Assets and Liabilities with Significant Effects

The information below is expressed in a foreign currency other than the functional currency of the entities in the Consolidated Company and the disclosed exchange rate refers to the exchange rate at which the foreign currency is converted into the functional currency. Significant foreign currency assets and liabilities are as follows:

Unit: Except for the exchange rate, which is in dollars ($1), all foreign currency/book amounts are in thousands ($1,000).

Dec. 31, 2023

	Foreign Currency	Exchange Rate	Book Amount
Financial Assets			
Monetary Items			
USD	$ 260,367	30.705 (USD:TWD)	$ 7,994,579
USD	765	7.0961 (USD:RMB)	23,490
			$ 8,018,069
Non-monetary Items			
Equity instruments measured at fair value through profit or loss			
RMB	86,265	4.327 (RMB:TWD)	$ 373,267
Financial Liabilities			
Monetary Items			
USD	9,510	30.705 (USD:TWD)	$ 291,987
USD	1,177	7.0961 (USD:RMB)	36,127
			$ 328,114

Dec. 31, 2022

	Foreign Currency	Exchange Rate	Book Amount
Financial Assets			
Monetary Items			
USD	$ 254,995	30.71 (USD:TWD)	$ 7,830,913
USD	223	6.9669 (USD:RMB)	6,853
			$ 7,837,766
Non-monetary Items			
Equity instruments measured at fair value through profit or loss			
RMB	56,402	4.408 (RMB:TWD)	$ 248,619
Financial Liabilities			
Monetary Items			
USD	5,390	30.71 (USD:TWD)	$ 165,532
USD	755	6.9669 (USD:RMB)	23,181
			$ 188,713

Significant foreign exchange gains or losses (including realized and unrealized) are as follows:

	2023		2022	
Foreign Currency	Exchange Rate	Net Exchange (Loss)/Gain	Exchange Rate	Net Exchange (Loss)/Gain
USD	31.155 (USD:TWD)	$ 12,776	29.805 (USD:TWD)	$ 700,036
USD	7.037 (USD:RMB)	(4,601)	6.7402 (USD:RMB)	12
Other		925		934
		$ 9,100		$ 700,982

32. Additional Disclosures

(1) Information on major transactions (2) Transfer of investment business

1. Financings provided: None.
2. Endorsements/guarantees provided: None.
3. Marketable securities held (excluding the part of investment subsidiaries): Table 1.
4. Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: Table 2.
5. Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: None.
6. Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None.
7. Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 3.
8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 4.
9. Information about the derivative financial instrument transaction: None.
10. Other: Business relationships and significant transaction details and amounts between the parent company and its subsidiaries, and among the subsidiaries themselves: Table 5.
11. Information on investees: Table 6.

(3) Information on investment in mainland China:

1. The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Table 7.
2. Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports:
   (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
   (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 5.
   (3) The amount of property transactions and the amount of the resultant gains or losses: None.
   (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
   (5) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds: None.
   (6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: Table 5.

(4) Information of major shareholders: List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: Table 8.

33. Operating Segments Information

The information provided to the chief operating decision-maker for resource allocation and performance assessment focuses on the types of products or services delivered or provided. The reportable segments of the Consolidated Company are as follows:

IOT Business Unit - Design, sales, and licensing of customized memory solutions

AI Business Unit - Design, sales, and licensing of heterogeneous integrated chip solutions

(1) Segment revenue and operating results

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

From Jan. 1, 2023 to Dec. 31, 2023

	IOT	AI	Total
Segment revenue	$ 3,968,536	$ 258,371	$ 4,226,907
Operating costs	(2,364,004)	(107,897)	(2,471,901)
Segment net profit	$ 1,604,532	$ 150,474	1,755,006
Operating expenses			(902,225)
Operating income			852,781
Non-operating income and expenses			766,200
Net income before tax			$ 1,618,981

From Jan. 1, 2022 to Dec. 31, 2022

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

(2) Major products and services revenue

Please refer to Note 21.

(3) Geographical information

Revenue from external customers by the geographical location of the customers and non-current assets by the geographical area of the assets are presented as follows:

	Revenue from External Customers		Revenue from External Customers	
	2023	2022	Dec. 31, 2023	Dec. 31, 2022
China	$ 2,861,528	$ 2,603,812	$ 26,299	$ 24,642
Japan	5,750	901,998	-	-
Taiwan	456,773	542,142	772,005	792,984
Europe	71,347	46,688	-	-
America	72,968	45,004	14,251	18,384
Others	758,541	955,131	-	-
	$ 4,226,907	$ 5,094,775	$ 812,555	$ 836,010

Non-current assets exclude financial assets measured at FVTPL, financial assets measured at amortized cost, investments accounted for using the equity method and deferred income tax assets.

(4) Major customer information

Revenue from a single customer that accounts for 10% or more of the total revenue of the Consolidated Company is as follows:

	2023
Customer A	$ 1,235,554
Customer D	691,676
	$ 1,927,230

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

AP Memory Technology Corporation and Subsidiaries

Marketable Securities Held

Dec. 31, 2023

Table 1

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	At the End of Period				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value (Note)	
AP Memory Technology Corporation	Listed (OTC) shares							
	M3 Technology Inc.	—	Financial assets measured at FVTPL - non-current	4,000,000	$ 766,000	9.40%	$ 766,000	
	Unlisted (non-OTC) shares							
	Hai Ning Chang Meng Technology Partnership (limited partnership)	—	Financial assets measured at FVTPL - non-current	-	373,267	24.64%	373,267	
	GeneASIC Technologies Corporation	—	Financial assets measured at FVTPL - non-current	500,000	-	13.12%	-	

Note 1: Refer to Tables 6 and 7 for information about subsidiaries and associates.

AP Memory Technology Corporation and Subsidiaries

Marketable Securities Acquired and Disposed of at Costs or Prices of at Least NT$300 million or 20% of the Paid-in Capital

For the Year Ended December 31, 2023

Table 2

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

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Beginning Balance		Acquisition				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain/Loss on Disposal	Shares	Amount (Note 1)
AP Memory Technology Corporation	Stock M3 Technology Inc.	Financial assets measured at FVTPL - non-current	-	-	-	$ -	4,000,000	$ 500,000	-	$ -	$ -	$ -	4,000,000	$ 766,000

Note 1: The ending balance includes the amount of gain or loss on valuation of financial assets.

Note 2: Paid-in capital refers to the parent company's paid-in capital. If the issuer's stock has no par value or the par value per share is not NT$10, the transaction amount of 20% of the paid-in capital is calculated based on 10% of the equity attributable to the owners of the parent company on the balance sheet.

AP Memory Technology Corporation and Subsidiaries

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

For the Year Ended December 31, 2023

Table 3

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

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	Sub-subsidiary	Sale	($ 826,378)	(19.46%)	Net 90 days after monthly closing	$ -	—	$ 162,836	27.31%	Note 2
AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	Subsidiary	Sale	(403,377)	(9.5%)	Net 30 days after monthly closing	-	—	36,127	6.06%	Note 2

Note 1: The transactions between the Company and AP Memory Technology (Hangzhou) Co. Limited and AP Memory Technology (Hong Kong) Co. Limited are based on the prices and conditions agreed by both parties.

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

Note 3: Paid-in capital refers to the parent company's paid-in capital. If the issuer's stock has no par value or the par value per share is not NT$10, the transaction amount of 20% of the paid-in capital is calculated based on 10% of the equity attributable to the owners of the parent company on the balance sheet.

AP Memory Technology Corporation and Subsidiaries

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

Dec. 31, 2023

Table 4

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

Company Name	Related Party	Relationship	Ending Balance of Receivables	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	Sub-subsidiary	$ 162,836	6.35	$ -	-	$ 108,797	$ -

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

Note 2: Paid-in capital refers to the parent company's paid-in capital. If the issuer's stock has no par value or the par value per share is not NT$10, the transaction amount of 20% of the paid-in capital is calculated based on 10% of the equity attributable to the owners of the parent company on the balance sheet.

AP Memory Technology Corporation and Subsidiaries

Intercompany Relationships and Significant Intercompany Transactions

For the Year Ended December 31, 2023

Table 5

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

No. (Note 1)	Company Name	Counterparty	Nature of Relationships (Note 2)	Transaction Details			
				Item	Amount (Note 4)	Transaction Terms	Percentage of Transaction Amount to Consolidated Operating Revenue or Total Assets (Note 3)
0	AP Memory Technology Corporation	AP Memory Corp, USA	(1)	Commissioned research fees	$ 68,893	Note 5	1.63%
0	AP Memory Technology Corporation	AP Memory Corp, USA	(1)	Other payables	17,410	Note 5	0.14%
0	AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	(1)	Operating income	403,377	Note 5	9.54%
0	AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	(1)	Accounts receivable	36,127	Note 5	0.29%
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(1)	Operating income	826,378	Note 5	19.55%
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(1)	Accounts receivable	162,836	Note 5	1.30%
0	AP Memory Technology Corporation	VIVR Corporation	(1)	Commissioned research fees	22,600	Note 5	0.53%
0	AP Memory Technology Corporation	VIVR Corporation	(1)	Other payables	6,663	Note 5	0.05%
0	AP Memory Technology Corporation	CascadeTeq Inc.	(1)	Operating income	386	Note 5	0.01%
0	AP Memory Technology Corporation	CascadeTeq Inc.	(1)	Accounts receivable	393	Note 5	0.01%
1	AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited	(3)	Service revenue	54,414	Note 5	1.29%
1	AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited.	(3)	Accounts receivable	4,164	Note 5	0.03%

Note 1: No. 0 represents the parent company; other numbers represent subsidiaries.

Note 2: The directional flow of the transactions are represented by the following numerals:

No. 1 - from parent company to subsidiary.

No. 2 - from subsidiary to parent company.

No. 3 - between subsidiaries.

Note 3: The accounts in the consolidated balance sheets and those in the consolidated statements of comprehensive income were based on the Company’s consolidated total assets and total gross sales, respectively.

Note 4: Intercompany balances and transactions were eliminated upon consolidation.

Note 5: Prices and terms were based on mutual agreements.

AP Memory Technology Corporation and Subsidiaries

Information on Investees

For the Year Ended December 31, 2023

Table 6

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Losses) of the Investee (Note 2)	Share of Profits/Losses of Investee (Note 2)	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Value (Note 1)			
AP Memory Technology Corporation	AP Memory Corp, USA	Suite 251,BG Plaza,3800 S.W. Cedar Hills Blvd, Beaverton OR. 97005, USA	Integrated Circuit Research and Development Services	$ 60,521 (USD 2,000,000)	$ 60,521 (USD 2,000,000)	2,000,000	100%	$ 31,603	($ 5,594) (USD -179,550)	($ 5,594)	Subsidiary
	Lyontek Inc.	No. 17, Industry East 2nd Road, East District, Hsinchu City	Design and Sale of Integrated Circuit	75,060	75,060	3,600,000	30%	91,867	47,789	14,337	Associate
	APware Technology Corp.	Suite 102, Cannon Place, North Sound Rd., George Town, Grand Cayman, Cayman Islands	Design, Development, and Sale of Integrated Circuits	-	-	-	100%	-	-	-	Subsidiary (Note 3)
	ONECENT TECHNOLOGY LTD.	4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands	Design, development and sales of radio frequency identification systems	33,771 (USD 1,128,000)	33,771 (USD 1,128,000)	3,600,000	47%	14,144	(28,669) (USD -920,219)	(14,880)	Associate
	VIVR Corporation	Suite W 100 North Howard Street, Spokane Washington, 99201, US	Design, Development, and Sale of Integrated Circuits	32,140 (USD 1,000,000)	32,140 (USD 1,000,000)	10,000,000	100%	29,602	(1,065) (USD -34,196)	(1,065)	Subsidiary
	CascadeTeq Inc.	8F.-5, No. 1, Taiyuan 1st St., Zhubei City, Hsinchu County	Sale of Integrated Circuits	5,000	5,000	500,000	100%	1,122	(3,879)	(3,879)	Subsidiary
AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited	Rm.19C,Lockhart Ctr.,301-307 Lockhart Rd.,Wan Chai, Hong Kong.	Sale of Integrated Circuits	275 (USD 10,000)	275 (USD 10,000)	10,000	100%	4,322	(12,481)	(12,481)	Subsidiary

Note 1: Translation was based on the exchange rate on December 31, 2023.

Note 2: Translation was based on the average exchange rate for the nine months ended December 31, 2023.

Note 3: In order to meet the future operational plan, the Consolidated Company established a subsidiary, APware Technology Corp. in the Cayman Islands in October 2021, but has not yet made any actual capital investment.

Note 4: Apart from ONECENT TECHNOLOGY LTD., the amounts were recognized based on the CPA-certified financial statements prepared for the same fiscal year.

AP Memory Technology Corporation and Subsidiaries

Information on Investment in Mainland China

For the Year Ended December 31, 2023

Table 7

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023 (Note 1)	Net Income (Losses) of the Investee Company (Note 3)	Percentage of Ownership	Share of Profits/Losses (Note 3 and 5)	Carrying Value as of December 31, 2023 (Note 4 and 5)	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow						
AP Memory Technology (Hangzhou) Limited Co.	Design, Development, and Sale of Integrated Circuits	$ 58,009 (USD 2,000,000)	Note 2	$ 58,009 (USD 2,000,000)	$ -	$ -	$ 58,009 (USD 2,000,000)	($ 51,917) (RMB 11,809,910)	100%	($ 51,917)	$ 101,369	$ -

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
$58,009 (USD2,000,000)	$58,009 (USD2,000,000)	$ 6,793,076 (Note 6)

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

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

Note 3: Translation was based on the average exchange rate of 2023.

Note 4: Translation was based on the exchange rate on December 31, 2023.

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

Note 6: The calculation is made based on 60% of the Company’s net value on December 31, 2023, in accordance with Letter No. 09704604680 issued by the Ministry of Economic Affairs.

Note 7: Related transactions were eliminated upon consolidation.

AP Memory Technology Corporation

Information on Major Shareholders

Dec. 31, 2023

Table 8

Shareholders	Shares	
	Total Shares Owned	Percentage of Ownership
Shanyi Investment Co., Ltd.	26,706,668	16.48%

Note 1: The major shareholder information in this table is calculated by the central securities depository based on the last business day of the quarter, taking into account the common shares and preferred shares held by the shareholders that have completed the dematerialized registration and delivery (including treasury shares), totaling 5% or more. The share capital recorded in the consolidated financial statements of the company and the actual number of shares that have completed the dematerialized registration and delivery may differ due to differences in calculation bases or other reasons.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to the Market Observation Post System website of the TWSE.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
AP Memory Technology Corporation

Opinion

We have audited the accompanying financial statements of AP Memory Technology Corporation, which comprise the Parent Company Only Statement of Financial Position as of December 31, 2023 and December 31, 2022, the Parent Company Only Statement of Comprehensive Income from January 1 to December 31, 2023 and from January 1 to December 31, 2022, Parent Company Only Statement of Change in Equity, Parent Company Only Statement of Cash Flows, and Notes to Parent Company Only Financial Statement (including a summary of significant accounting policies).

In our opinion, the accompanying parent company only financial statements are properly drawn up in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS) so as to give a true and fair view of the financial position of AP Memory Technology Corporation as of December 2023 and 2022 and of the financial performance, changes in equity and cash flows of AP Memory Technology Corporation from January 1 to December 31, 2023 and 2022.

Basis for Opinion

We were commissioned to conduct our audit in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards. Our responsibilities under those standards are further described in the 'Accountant's responsibilities for the audit of the financial statements' section of our report. We are independent of AP Memory Technology Corporation in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities, 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

The key audit matter is which that, in our professional judgment, is most significant to our review of the Parent Company Only Financial Statements of AP Memory Technology Corporation for 2023. Such matter has been considered in the process of examining the parent company only financial statements taken as a whole and forming an opinion thereon, and we do not express an opinion on the matter individually.

The following is the description of the key audit matter in the Parent Company Only Financial Statements of AP Memory Technology Corporation for 2023:

Authenticity of Sales Revenue from Specific Customers

In the fiscal year 2023, AP Memory Technology Corporation reported sales revenue amounting to NT$4,114,977 thousand. The sales revenue from certain customers has shown significant growth compared to the fiscal year 2022, constituting a substantial portion of the total sales revenue. Therefore, the authenticity of the related sales revenue has been identified as one of the key audit matters.

During the audit, our accountants performed the following audit procedures in response to this key audit matter:

1. Understand and evaluate the internal control system related to revenue recognition, and test the design and execution of such controls.
2. Sample confirmation requests were sent for the entire year's sales revenue from the specific customers, and alternative procedures were conducted for those from whom confirmation

was not timely received. This includes verifying transaction evidence and subsequent collections.

3. Perform audit sampling on the sales revenue details of the specific customers, review related transaction documents, including customer orders, shipping documents, and receipts, to confirm the authenticity of the revenue recognized.
4. Audit the occurrences of sales returns and allowances after the reporting period and subsequent collections to confirm the reasonableness of the sales revenue recognized.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management's responsibility is to prepare the parent company only financial statements present fairly, in all material respects, according to Regulations Governing the Preparation of Financial Reports by Securities Issuers as well as maintain necessary internal control related to the preparation of the parent company only financial statements in order to ensure there is no major untrue expression on the financial statements due to fraud or error.

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

The responsibilities of the governing body (including the audit committee) include overseeing the financial reporting process of AP Memory Technology Corporation.

Auditors' Responsibilities for the Audit of the Parent Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with GAAS 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 in the basis of these parent company only financial statements.

As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for audit opinions. Because fraud may be related to conspiracy, forgery, deliberate omission, false statement or breach of internal control, the risk of a material misstatement caused by fraud which is not identified is higher than the risk of a material misstatement caused by any error.
2. Obtain an understanding of internal controls 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 internal control effectiveness of AP Memory Technology Corporation.
3. Assess the appropriateness of management's use of accounting policies and the reasonability of the accounting estimate and relevant disclosure.
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 ability of AP Memory

Technology Corporation to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause AP Memory Technology Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements (including the relevant notes), and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. We have obtained sufficient and appropriate evidence to audit the financial information of AP Memory Technology Corporation to express an opinion on the Parent Company Only Financial Statements. We are responsible for the guidance, supervision and execution of the audit and for forming an audit opinion on AP Memory Technology Corporation.

We communicate with the governing body regarding, among other matters, the planned scope and timing of the audit and significant audit findings (including any significant deficiency in internal controls that we identify during our audit).

We have also provided the governing body with a statement that the independence-regulated personnel of the firm to which we are affiliated have complied with the Code of Ethics for Professional Accountants with respect to independence and communicate with the governing body about all relationships and other matters (including related protective measures) that may be considered to affect the accountant's independence.

We have determined the key audit matter for the audit of the Parent Company Only Financial Statements of AP Memory Technology Corporation for the year ended December 31, 2023 from the communications we have had with the governing body. We identified such matter in our auditor's report, except for those matters that are not permitted by law to be disclosed publicly or, in the rarest of circumstances, we decided not to communicate those matters in our auditor's report because we reasonably could expect the negative effect of such communication to outweigh the public interest.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 1, 2024

Notice to Readers

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

AP Memory Technology Corporation

Parent Company Onlt Balance Sheets

For the Years Ended December 31, 2023, and December 31, 2022

(In Thousands of New Taiwan Dollars)

	Dec. 31, 2023		Dec. 31, 2022	
Assets	Amount	%	Amount	%
Current assets				
Cash and cash equivalents (Notes 4 and 6)	$ 8,627,464	69	$ 8,003,529	69
Financial assets measured at amortized cost - current (Notes 4, 8 and 28)	2,819	-	2,782	-
Accounts receivable (Notes 4, 9 and 20)	463,349	4	500,338	4
Accounts receivable - related parties (Notes 4, 9, 20 and 27)	199,356	2	120,782	1
Current income tax assets	-	-	80	-
Other receivables (Notes 4 and 9)	47,800	-	31,879	-
Inventories (Notes 4 and 10)	851,095	7	1,528,127	13
Other current assets (Note 15)	51,493	-	47,832	1
Total current assets	10,243,376	82	10,235,349	88
Non-current assets				
Financial assets measured at FVTPL - non-current (Notes 4, 5, 7 and 26)	1,139,267	9	256,007	2
Investments accounted for using the equity method (Notes 4 and 11)	269,707	2	340,929	3
Property, plant and equipment (Notes 4 and 12)	75,078	1	79,251	1
Right-of-use assets (Notes 4 and 13)	48,758	-	71,799	1
Other intangible assets (Notes 4 and 14)	62,559	1	4,106	-
Deferred income tax assets (Notes 4 and 22)	58,489	-	31,163	-
Refundable deposits (Note 29)	458,981	4	464,027	4
Other non-current assets (Note 15)	126,225	1	173,802	1
Total non-current assets	2,239,064	18	1,421,084	12
Total assets	$ 12,482,440	100	$ 11,656,433	100
Liabilities and Equity				
Current liabilities				
Short-term loans (Note 16)	$ 300,000	2	$ -	-
Contract liabilities (Notes 4 and 20)	58,381	1	22,981	-
Accounts payable	255,186	2	149,961	1
Other payables (Note 17)	149,334	1	104,047	1
Other payables - related parties (Note 27)	24,073	-	15,830	-
Income tax payable	238,365	2	295,101	3
Lease liabilities - current (Note 4 and 13)	22,497	-	50,771	-
Other current liabilities (Note 17)	9,292	-	2,389	-
Total current liabilities	1,057,128	8	641,080	5
Non-current liabilities				
Deferred income tax payable (Note 4 and 22)	77,578	1	45,132	1
Lease liabilities - non-current (Notes 4 and 13)	9,940	-	5,654	-
Deposits received	16,000	-	14,000	-
Total non-current liabilities	103,518	1	64,786	1
Total liabilities	1,160,646	9	705,866	6
Equity (Notes 4, 19 and 24)				
Share capital				
Share capital of common stock	810,020	7	807,786	7
Share capital collected in advance	1,739	-	848	-
Total share capital	811,759	7	808,634	7
Capital surplus	6,234,430	50	6,178,947	53
Retained earnings				
Legal reserve	760,879	6	566,709	5
Special reserve	450	-	-	-
Undistributed earnings	3,514,619	28	3,396,727	29
Total retained earnings	4,275,948	34	3,963,436	34
Other equity	(343)	-	(450)	-
Total equity	11,321,794	91	10,950,567	94
Total liabilities and equity	$ 12,482,440	100	$ 11,656,433	100

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

AP Memory Technology Corporation

Parent Company Only Statements of Comprehensive Income

For the Years Ended December 31, 2023, and December 31, 2022

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

	2023		2022	
	Amount	%	Amount	%
Revenue (Notes 4, 20 and 27)	$ 4,114,977	100	$ 4,971,181	100
Cost of revenue (Notes 10 and 21)	2,469,596	60	2,863,822	58
Gross profit	1,645,381	40	2,107,359	42
Operating expenses (Notes 4, 9, 21 and 27)				
Marketing	93,916	2	101,292	2
General and administrative	146,814	4	116,928	2
R&D expenses	482,507	12	392,505	8
Expected credit losses (gain on reversal)	9,208	-	(638)	-
Total operating expenses	732,445	18	610,087	12
Income from operations	912,936	22	1,497,272	30
Non-operating income and expense				
Other income (Notes 4 and 21)	1,669	-	1,769	-
Shares of the profit or loss of subsidiaries and associates recognized for using the equity method (Notes 4 and 11)	(62,998)	(1)	19,243	1
Interest income (Note 4)	365,494	9	104,889	2
Gain from disposal of property, plant and equipment (Note 4)	-	-	54	-
Gain from disposal of investments (Notes 4 and 19)	-	-	13,443	-

(Continued on the next page)

(Continued from the previous page)

	2023		2022	
	Amount	%	Amount	%
Gain on foreign exchange - net value (Notes 4, 21 and 30)	$ 13,717	-	$ 700,965	14
Gain on financial assets measured at FVTPL (Notes 4 and 26)	388,140	9	114,018	2
Interest expenses (Note 4)	(1,531)	-	(1,341)	-
Total non-operating income and expenses	704,491	17	953,040	19
Net income before tax	1,617,427	39	2,450,312	49
Income tax expense (Notes 4 and 22)	(172,457)	(4)	(508,616)	(10)
Net income	1,444,970	35	1,941,696	39
Other comprehensive income (Notes 4 and 19)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	107	-	4,265	-
Other comprehensive income (net of income tax)	107	-	4,265	-
Total comprehensive income	$ 1,445,077	35	$ 1,945,961	39
Earnings per share (Note 23)				
Basic earnings per share	$ 8.93		$ 12.09	
Diluted earnings per share	$ 8.85		$ 11.96	

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

AP Memory Technology Corporation

Parent Company Only Statements of Changes in Equity

For the Years Ended December 31, 2023, and December 31, 2022

(In Thousands of New Taiwan Dollars)

	Share Capital (Notes 4, 19 and 24)			Capital Surplus	Retained Earnings (Notes 4 and 19)				Other Equity (Note 4 and 19)		
	Capital Stock - Common Stock	Share Capital Collected in Advance	Total Share Capital	(Notes 4, 19 and 24)	Legal Reserve	Special Reserve	Undistributed Earnings	Total	Exchange differences arising on translation of foreign operations	Treasury stock (Notes 4 and 19)	Total Equity
Balance, Jan. 1, 2022	$ 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 and distribution of earnings, 2021											
Recognition of legal reserve	-	-	-	-	202,546	-	(202,546)	-	-	-	-
Cash dividends for the company's shareholders	-	-	-	-	-	-	(968,275)	(968,275)	-	-	(968,275)
Cost for recognizing stock options as compensation	-	-	-	26,099	-	-	-	-	-	-	26,099
Disposal of investments accounted for using the equity method	-	-	-	-	-	-	-	-	(13,443)	-	(13,443)
Capital increase by cash	64,000	-	64,000	5,087,283	-	-	-	-	-	-	5,151,283
Write-down of treasury stock	(2,580)	-	(2,580)	(2,993)	-	-	(5,673)	(5,673)	-	11,246	-
Net income, 2022	-	-	-	-	-	-	1,941,696	1,941,696	-	-	1,941,696
Other comprehensive income, net of income tax, 2022	-	-	-	-	-	-	-	-	4,265	-	4,265
Total comprehensive income, 2022	-	-	-	-	-	-	1,941,696	1,941,696	4,265	-	1,945,961
Common shares issued under the employee stock option plan	2,230	(2,013)	217	13,770	-	-	-	-	-	-	13,987
Balance, Dec. 31, 2022	807,786	848	808,634	6,178,947	566,709	-	3,396,727	3,963,436	(450)	-	10,950,567
Appropriation and distribution of earnings, 2022											
Recognition of legal reserve	-	-	-	-	194,170	-	(194,170)	-	-	-	-
Recognition as special reserve	-	-	-	-	-	450	(450)	-	-	-	-
Cash dividends for the company's shareholders	-	-	-	-	-	-	(1,132,458)	(1,132,458)	-	-	(1,132,458)
Changes in the associates and ventures recognized for using the equity method	-	-	-	688	-	-	-	-	-	-	688
Cost for recognizing stock options as compensation	-	-	-	31,554	-	-	-	-	-	-	31,554
Net income, 2023	-	-	-	-	-	-	1,444,970	1,444,970	-	-	1,444,970
Other comprehensive income, net of income tax, 2023	-	-	-	-	-	-	-	-	107	-	107
Total comprehensive income, 2023	-	-	-	-	-	-	1,444,970	1,444,970	107	-	1,445,077
Common shares issued under the employee stock option plan	2,234	891	3,125	23,241	-	-	-	-	-	-	26,366
Balance, Dec. 31, 2023	$ 810,020	$ 1,739	$ 811,759	$ 6,234,430	$ 760,879	$ 450	$ 3,514,619	$ 4,275,948	($ 343)	$ -	$ 11,321,794

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

AP Memory Technology Corporation

Parent Company Only Statements of Cash Flows

For the Years Ended December 31, 2023, and December 31, 2022

(In Thousands of New Taiwan Dollars)

	2023	2022
Cash flow from operating activities		
Net income before tax	$ 1,617,427	$ 2,450,312
Adjustments		
Depreciation expense	58,527	53,997
Amortization expense	4,513	2,791
Expected credit losses (gain on reversal)	9,208	(638)
Gain on valuation of financial assets measured at FVTPL	(388,628)	(114,018)
Interest expenses	1,531	1,341
Interest income	(365,494)	(104,889)
Dividend income	(51)	(322)
Cost of share-based payment awards	29,413	20,179
Share of gain or loss from subsidiaries and associates recognized for using the equity method	62,998	(19,243)
Loss (gain) on disposal or retirement of property, plant and equipment	-	494
Gain from disposal of investments	-	(13,443)
Losses on market price decline and obsolete and slow-moving inventories	61,623	25,604
Unrealized gain on foreign exchange	12,807	(2,451)
Net changes in operating assets and liabilities		
Accounts receivable	(71,228)	235,356
Other receivables	453	19,293
Inventories	615,409	142,671
Other current assets	(16,884)	(8,741)
Refundable deposits	5,046	582
Contract liabilities	35,400	(149,589)
Accounts payable	111,845	(452,124)
Other payables	53,993	(48,098)
Other current liabilities	6,903	(1,003)
Cash generated from operations	1,844,811	2,038,061
Interest received	349,116	93,227
Dividends received	51	322

(Continued on the next page)

(Continued from the previous page)

	2023	2022
Interest paid	($ 1,294)	($ 1,341)
Income tax paid	(223,990)	(580,544)
Net cash generated by operating activities	1,968,694	1,549,725
Cash flows from investing activities		
Acquisition of financial assets at fair value through profit or loss	(494,632)	-
Acquisition of long-term equity investments accounted for using the equity method	-	(70,911)
Cash inflow from the disposal of subsidiaries	-	76,239
Purchase of property, plant and equipment	(9,799)	(24,302)
Acquisition of intangible assets	(2,166)	(799)
Dividends received from associates and subsidiaries	11,160	11,160
Net cash used in investing activities	(495,437)	(8,613)
Cash flows from financing activities		
Increase in short-term loans	300,000	-
Increase in deposits received	2,000	-
Repayment of lease principal	(45,246)	(38,410)
Issuance of cash dividends	(1,132,442)	(968,275)
Capital increase by cash	-	5,151,283
Stock options exercised by employees	26,366	13,987
Net cash used in financing activities	(849,322)	4,158,585
Effect of exchange rate changes on cash and cash equivalents	623,935	5,699,697
Net increase in cash and cash equivalents	8,003,529	2,303,832
Cash and cash equivalents, beginning of year	$ 8,627,464	$ 8,003,529

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

AP Memory Technology Corporation

Notes to Parent Company Only Financial Statements

For the Years Ended December 31, 2023, and December 31, 2022

(Unless otherwise specified, the basic unit for any amount shall be in thousands of New Taiwan Dollars.)

1. General

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

Upon approval of Taipei Exchange (TPEx) in June 2015, the Company started trading on Emerging Stock Board of TPEx and then trading on Taiwan Stock Exchange (TWSE) on May 31, 2016. In January 2022, the Company will make an initial public offering of global depositary receipts (GDRs) by way of a capital raising issue of new shares and will be listed on the Bourse de Luxembourg.

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

2. The Authorization of Financial Statements

The parent company only financial statements were approved by the board of directors on March 1, 2024.

3. Application of New and Revised International Financial Reporting Standards

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

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the accounting policies of the Company.

(2) FSC-approved IFRSs applicable in 2024

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 16 - "Lease Liability in a Sale and Leaseback"	Jan. 1, 2024 (Note 2)
Amendments to IAS 1 - "Classification of Liabilities as Current or Non-current"	Jan. 1, 2024
Amendments to IAS 1 - "Non-current Liabilities with Covenants"	Jan. 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	Jan. 1, 2024 (Note 3)

Note 1: Unless otherwise stated, the above new/amended/revised standards or interpretations are effective for annual reporting periods beginning after the respective dates.

Note 2: The seller and lessee should retrospectively apply the amendments to IFRS 16 to sale and leaseback transactions entered into after the initial application of IFRS 16.

Note 3: Upon the first application of this amendment, certain disclosure requirements are exempted.

As of the approval date of these parent company only financial statements, the Company has assessed that the amendments to the standards and interpretations will not have a significant impact on the financial position and performance.

(3) New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 - "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined.
IFRS 17 "Insurance Contracts"	Jan. 1, 2023
Amendments to IFRS 17	Jan. 1, 2023
Amendments to IFRS 17 - "Initial Application of IFRS 17 and IFRS 9 — Comparative Information"	Jan. 1, 2023
Amendments to IAS 21 - "Lack of Exchangeability"	Jan. 1, 2025 (Note 2)

Note 1: Unless otherwise stated, the above new/amended/revised standards or interpretations are effective for annual reporting periods beginning after the respective dates.

Note 2: Applies to fiscal years beginning on or after January 1, 2025. Upon first applying the amendment, the effects will be recognized in retained earnings on the date of initial application. When the Company uses a non-functional currency as its presentation currency, the effects are adjusted in the equity item of foreign operations exchange differences on the date of initial application.

As of the approval date of these parent company only financial statements, the Company continues to assess the impact of the amendments to the standards and interpretations on the financial position and performance, and the related impacts will be disclosed upon completion of the assessment.

4. Summary of Significant Accounting Policies

(1) Statement of Compliance

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

(2) Basis of Preparation

Apart from financial instruments measured at fair value, these parent company only financial statements are prepared on a historical cost basis.

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

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

In preparing the parent company only financial statements, the Company accounts for its investments in subsidiaries and associates using the equity method. To align the current year's profit or loss, other comprehensive income, and equity in the parent company only financial statements with those attributable to the owners of the Company in the consolidated financial statements, certain accounting differences between the parent company only and consolidated bases are adjusted in "Investments accounted for using the equity method," "Share of profit or loss of subsidiaries and associates using the equity method," and "Share of other comprehensive income of subsidiaries and associates using the equity method" and related equity items.

(3) Classification of Current and Non-current Assets and Liabilities

Current assets include:

1. assets held mainly for transaction purposes;
2. assets to be realized within 12 months of the asset balance sheet; and
3. cash and cash equivalents (but not including cash used to exchange or clear liability within 12 months of the asset balance sheet).

Current liabilities include:

1. liabilities held mainly for transaction purposes;
2. liabilities due for payment within 12 months after the balance sheet date; and
3. the business entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Assets or liabilities not classified within the above definitions will be classified as non-current assets and liabilities.

(4) Foreign Currencies

When preparing the parent company only financial statements, the Company translates transactions in currencies other than the functional currency of the Company (foreign currencies) into the functional currency at the exchange rates prevailing on the transaction dates.

Monetary items denominated in foreign currencies are translated at the closing rate at each balance sheet date. Exchange differences arising from the settlement of monetary items or the translation of monetary items are recognized in profit or loss in the period in which they occur.

Foreign currency non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value was determined. The resulting exchange differences are recognized in profit or loss; however, for those fair value changes recognized in other comprehensive income, the resulting exchange differences are also recognized in other comprehensive income.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the exchange rates ruling at the dates of transactions and are not retranslated.

For the purpose of preparing the parent company only financial statements, assets and liabilities of the Company and foreign operations (including subsidiaries that operate in countries or currencies different from those of the Company) are translated into New Taiwan Dollars at the exchange rates prevailing on each balance sheet date. Income and expense items are translated at the average exchange rate for the period and the resulting exchange differences are included in other comprehensive income.

If the Company disposes of its entire interest in a foreign operation, all related cumulative exchange differences are reclassified to profit or loss.

(5) Inventories

Inventories include raw materials, finished goods, and work in progress. Inventories are measured at the lower of cost and net realizable value. When comparing cost and net realizable value, items are assessed individually, except for inventories of similar categories. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is calculated using the weighted average method.

(6) Investment in Subsidiaries

The Company accounts for its investments in subsidiaries using the equity method.

Subsidiaries are entities over which the Company has control.

Under the equity method, investments are initially recognized at cost, and the carrying amount thereafter is increased or decreased to recognize the Company's share of the subsidiaries' profit or loss and other comprehensive income as well as distributions received. Furthermore, changes in the Company's share of the subsidiaries' other equity are recognized in proportion to the shareholding.

When changes in the Company's ownership interests in a subsidiary do not result in the loss of control, they are treated as equity transactions. The difference between the carrying amount of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary (including the carrying amount under the equity method and any other long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues to recognize further losses in proportion to its shareholding.

The excess of the cost of acquisition over the fair value of the identifiable assets and liabilities of the subsidiary at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and is not amortized; if the fair value of the identifiable assets and liabilities of the subsidiary at the date of acquisition exceeds the cost of acquisition, this excess is recognized immediately in profit.

When assessing impairment, the Company considers the entire financial statement to assess cash-generating units and compares their recoverable amount to their carrying amount. If the recoverable amount of an asset increases subsequently, the reversal of any recognized impairment loss is recognized as income, provided that the carrying amount of the asset after the reversal does not exceed its carrying amount, less accumulated depreciation, had no impairment loss been recognized. Impairment losses related to goodwill cannot be reversed in subsequent periods.

Upon the loss of control of a subsidiary, the Company measures any remaining investment in the former subsidiary at its fair value at the date control is lost. The difference between the fair value of any remaining investment and any disposal proceeds and the carrying amount of the investment at the date when control is lost is recognized in profit or loss. Additionally, the accounting treatment for all amounts previously recognized in other comprehensive income related to that subsidiary is the same as if the Company had directly disposed of the related assets or liabilities.

(7) Investments in Associates

Associates are entities over which the Company has significant influence but which are not subsidiaries.

The Company accounts for investments in associates using the equity method.

Under the equity method, investments in associates are initially recognized at cost, and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. Furthermore, changes in the Company's share of the equity of associates are recognized in proportion to the shareholding.

The excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of the associate at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and is not amortized. If the Company's share of the net fair value of the identifiable assets and liabilities of the associate at the date of acquisition exceeds the cost of acquisition, this excess is immediately recognized in profit or loss.

For impairment assessment, the entire carrying amount of the investment (including goodwill) is considered as a single asset to compare the recoverable amount with the carrying amount for impairment testing. Any impairment loss recognized is not allocated to any assets that make up the carrying amount of the investment, including goodwill. Any reversal of impairment losses is recognized to the extent that the recoverable amount of the investment increases subsequently.

The Company ceases using the equity method from the date its investment is no longer an associate. The retained interest in the former associate is measured at fair value, and the difference between the fair value and the carrying amount of the investment at the date when the equity method is ceased is recognized in profit or loss.

Gains and losses from upstream, downstream, and lateral transactions between the Company and an associate are recognized in the parent company only financial statements only to the extent that they are unrelated to the Company's equity interest in the associate.

(8) Property, plant and equipment

Property, plant, and equipment are recognized by cost, and then measured by cost less accumulated depreciation.

Property, plant and equipment are depreciated separately over their useful lives on a straight-line basis for each significant component. The Company reviews the estimated useful lives, residual values and depreciation methods at least at the end of each year and defers the effect of changes in applicable accounting estimates.

The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss when property, plant, and equipment are derecognized.

(9) Intangible Assets

1. Separately acquired

   Separately acquired intangible assets with finite useful lives are initially measured at cost and are subsequently measured at cost less accumulated amortization.

   Intangible assets are amortized on a straight-line basis over their useful lives. The Company reviews the estimated useful lives, residual values, and amortization methods of the intangible assets at least at each financial year-end and defers the effect of any changes in accounting estimates.

2. Derecognition

   When an intangible asset is derecognized, the difference between the net disposal proceeds and the carrying amount of the asset is recognized as a gain or loss in the current year's profit or loss.

(10) Impairment of Property, Plant and Equipment, Right-of-use Assets and Intangible Assets

At each balance sheet date, the Company assesses whether there is any indication that property, plant and equipment, right-of-use assets and intangible assets may be impaired. If there is any indication of impairment, the recoverable amount of the asset is estimated, and if the recoverable amount of an individual asset cannot be estimated, the Company estimates the recoverable amount of the individual cash-generating unit to which the asset belongs.

Shared assets are allocated to the smallest cash-generating unit groups on a reasonable and consistent basis.

The recoverable amount is the higher fair value less selling cost and use value. If the recoverable amount of an individual asset or cash generating unit is less than its carrying amount, the carrying amount of the asset or cash generating unit shall be reduced to its recoverable amount, with the impairment loss recognized in profit or loss.

When the following recoverable amount increases, the carrying amount of the asset or cash generating unit increases to the amount that can be recovered after the revision. However, the increased carrying amount shall not exceed that (minus amortization or depreciation) determined by the asset or cash generating unit where the impairment loss was not recognized in the previous year. The reversal of impairment loss is recognized in profit or loss.

(11) Financial Instruments

Financial assets and financial liabilities are recognized in the Parent Company Ony Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, financial assets and financial liabilities that are not measured at fair value through profit or loss are measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities measured at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial Assets

The transaction practice of the financial assets adopts accounting recognition and de-recognition on the transaction day.

(1) Measurement Types

The types of financial assets held by the Company are financial assets measured at fair value through profit or loss and financial assets measured at amortized cost.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets mandatorily measured at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include investments in equity instruments which are not designated by the Company as measured at FVTOCI, and investments in debt instruments that do not qualify for classification as measured at amortized cost or measured at FVTOCI.

Financial assets at fair value through profit or loss are measured at fair value, with dividends, interest generated and gains or losses from remeasurement recognized in profit or loss. For the method of determining fair value, please refer to Note 26.

B. Financial assets measured at amortized cost

The Company's investments in financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

a. they are held within an operating model whose objective is to hold the financial assets to collect the contractual cash flows; and
b. the contractual terms give rise to cash flows at a specific date, which are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost (including cash and cash equivalents, investments in debt instruments measured at amortized cost, accounts receivable (including the part of related parties), other receivables and refundable deposits) are measured at amortized cost using the effective interest method to determine the total carrying amount less any impairment loss after initial recognition, with any foreign currency exchange gain or loss recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the total carrying amount of the financial assets except in the following situations.

a. For financial assets impaired at acquisition or origination, interest income is calculated using the effective interest rate adjusted for credit losses on the amortized cost of the financial asset.
b. For financial assets not impaired at acquisition or origination but subsequently became impaired, interest income is calculated from the period after the impairment using the effective interest rate on the amortized cost of the financial asset.

A credit-impaired financial asset is one for which the issuer or the debtor has experienced significant financial difficulties, defaulted, it is probable that the debtor will declare bankruptcy or other financial reorganization, or an active market for the financial asset has disappeared due to financial difficulties.

Cash equivalents include highly liquid deposits that are readily convertible to known amounts of cash with insignificant risk of changes in value and are within three months of maturity from the date of acquisition, used to meet short-term cash commitments.

(2) Impairment of Financial Assets

The Company assesses impairment losses on financial assets measured at amortized cost (including accounts receivable) at each balance sheet date based on expected credit losses.

Accounts receivable are recognized as an allowance for loss based on expected credit losses during the period of duration. Other financial assets are first evaluated to determine whether there is a significant increase in credit risk since initial recognition. If not, they are recognized as an allowance for loss based on expected credit losses over 12 months, and if so, based on expected credit losses over the duration period.

Expected credit losses represent the weighted-average credit losses based on the risk of default. 12-month expected credit losses represent the expected credit losses arising from possible defaults of financial instruments within 12 months after the reporting date. The 12-month expected credit losses represent the expected credit losses arising from all possible defaults of the financial instruments during the 12-month period after the reporting date.

For internal credit risk management purposes, without considering the collateral held, the Consolidated Company considers a financial asset defaulted when internal or external information indicates the debtor is unlikely to pay its debts.

All impairment losses on financial assets are reduced through an allowance account against their carrying amount.

(3) Derecognition of Financial Assets

The Company derecognizes financial assets only when the contractual rights to the cash flows from the financial assets have lapsed or when the financial assets have been transferred and substantially all the risks and rewards of ownership of the assets have been transferred to other enterprises.

When a financial asset measured at amortized cost is derecognized in its entirety, the difference between its carrying amount and the consideration received is recognized in profit or loss.

2. Equity Instruments

Debts and equity instruments issued by the Company are classified as financial liabilities or equity based on the substance of the contractual agreements and the definitions of financial liabilities and equity instruments.

Equity instruments issued by the Company are recognized at the amount of the acquisition price less direct issuance costs.

Repurchases of the Company's own equity instruments are recognized and deducted under equity. Transactions involving the purchase, sale, issuance, or cancellation of the Company's own equity instruments are not recognized in profit or loss.

3. Financial Liabilities

(1) Subsequent Measurement

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

(2) Derecognition of Financial Liabilities

Any difference between the carrying amount of a financial liability at the time of derecognition and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(12) Income Recognition

The Company allocates the transaction price to each performance obligation after the performance obligation is identified in the customer contract and recognizes revenue when each performance obligation is satisfied.

1. Revenue from Sales of Goods

Revenue from sales of goods arises from the sale of integrated circuit products. Since customers have determined prices and rights to use the goods with the primary responsibility for resale and bear the risks of obsolescence once trade terms are met, the Company recognizes revenue and accounts receivable at that point. Advance payments received for product sales are recognized as contract liabilities until the product is shipped.

When providing processing services, revenue is not recognized as control of the processed products does not transfer upon processing.

2. Service Revenue

Service revenue arises from providing design and research and development technical services as per contract, recognized based on the completion stage of the contract.

For services of purchasing wafers on behalf of customers, the Company does not take control of the wafers nor is responsible for their acceptance by customers. Moreover, the Company does not commit to purchasing wafers before customer orders, hence bearing no inventory risk. The Company acts as an agent in providing wafer purchasing services and recognizes revenue and accounts receivable at net amount when control of the wafers is transferred to the customer and no further obligations remain, with the remaining payments classified as other receivables and other payables for wafer purchasing.

Revenue from design and research and development services provided by the Company is recognized based on the completion stage of the contract.

3. Licensing Revenue

For technology licensing transactions, as there is no commitment to engage in activities that change the functionality of the silicon intellectual property, and such technology can operate without updates or technical support, licensing fees are recognized as licensing revenue at the time the right to use the silicon intellectual property is transferred.

(13) Lease

The Company assesses on the inception date of a contract whether the contract is (or contains) a lease.

<u>The Company as a lessee</u>

The lease payments for leases of low-value assets and short-term leases that qualify for recognition exemptions are recognized as expenses on a straight-line basis over the lease term. For all other leases, the right-of-use assets and lease liabilities are recognized at the lease commencement date.

The right-of-use assets are initially measured at cost (including the original measurement of lease liabilities) and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, with the adjustment of lease liability remeasurements. The right-of-use assets are presented separately in the parent company only balance sheet.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life or the lease term.

Lease liabilities are measured initially at the present value of the lease payments (including fixed payments). If the implied interest rate of the lease is readily determinable, the lease payments are discounted using that rate. If the rate is not readily determinable, the lessee's incremental borrowing rate is used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, and interest expense is amortized over the lease term. If there is a change in future lease payments due to changes in the lease period, the Company remeasures the lease liability and adjusts the right-of-use asset accordingly, but if the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are presented separately in the balance sheet.

(14) Employee Benefits

1. Short-term employee benefits

   The liability related to short-term employee benefits is measured as the non-discounted amount expected to be paid in exchange for employee services.

2. Retirement benefits

   Defined benefit pension plans are recognized as expenses over the period of service of the employees.

(15) Share-based Payment Arrangements

1. Equity-settled share-based payment arrangements with employees

   Employee stock options are recognized at the fair value of the equity instruments granted and the best estimate of the number expected to vest, expensed over the vesting period on a straight-line basis, with a simultaneous adjustment to capital surplus - employee stock options. If they vest immediately at the grant date, the expense is fully recognized on the grant date.

   The Company revises its estimate of the number of employee stock options expected to vest at each balance sheet date. If there is an adjustment to the original estimated number, the impact is recognized in profit or loss to reflect the revised estimate, with a corresponding adjustment to capital surplus - employee stock options.

2. Equity-settled share-based payment arrangements with employees of subsidiaries

   Employee stock options granted to employees of subsidiaries involving equity instruments of the Company are considered a capital contribution to the subsidiary and are measured at the fair value of the equity instruments at the grant date. They are recognized as an increase in the investment in the subsidiary over the vesting period, with a corresponding adjustment to capital surplus - employee stock options.

(16) Income Tax

Income tax expense is the sum of current income taxes and deferred income taxes.

1. Current income tax

   The Company determines the current income (loss) in accordance with the regulations of ROC and calculates the income tax payable (recoverable) accordingly.

   The income tax on undistributed earnings under the Income Tax Act of the ROC is recognized in the year of the resolution of the shareholders' meeting.

   The adjustment of income tax payable in the previous year shall be included in the current income tax.

2. Deferred income tax

   Deferred income tax is calculated based on the temporary differences between the carrying amount of assets and liabilities on the books and the basis for the calculation of taxable income.

   Deferred income tax payable are generally recognized for all taxable temporary differences, while deferred income tax assets are recognized when it is probable that there will be taxable income available to offset the temporary differences and loss carryforwards.

   Deferred tax liabilities are recognized for all taxable temporary differences associated with investments in subsidiaries and associates, except where the Company can control the timing of the reversal of the temporary differences and it is probable that these differences will not reverse in the foreseeable future. Deferred tax assets for deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profit available to utilize the temporary difference and it is expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced for those where it is no longer probable that there will be sufficient taxable income to allow all or part of the assets to be recovered. Deferred income tax assets not previously recognized as such are also reviewed at each balance sheet date and the carrying amount is increased for those where it is probable that taxable income will be available to recover all or part of the assets.

Deferred income tax assets and liabilities are measured by the tax rate of the expected liabilities settlement or assets realization in the current period, according to the tax rate and the tax law which have been legalized or substantively legalized on the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences of the way in which the Company is expected to recover or pay off the carrying amount of its assets and liabilities on the balance sheet date.

3. Current and deferred income taxes

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

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

When the Company adopts an accounting policy, management must make relevant judgments, estimates, and assumptions of relevant information that is difficult to obtain from other sources based on historical experience and other relevant factors.

The management will continuously review the estimates and underlying assumptions. If the revisions to estimates only affect the current period, they are recognized in the current period; if the adjustments to accounting estimates affect both the current and future periods, they are recognized in both the current and future periods.

<u>Fair Value Measurement and Valuation Techniques</u>

When assets and liabilities measured at fair value are not traded in active markets and no market quotations are available, the Company determines whether to use an external valuer and decides on the appropriate fair value valuation technique based on applicable laws or judgment.

If Level 1 inputs are not available for estimating fair value, the Company or its appointed valuer refers to analyses of the financial position and operating results of the investee, recent transaction prices, quotations for similar equity instruments in inactive markets, quotations for similar instruments in active markets, and valuation multiples of comparable companies to determine the inputs. If actual future changes in inputs differ from expectations, fair value adjustments may occur.

The Company updates the inputs quarterly based on market conditions to monitor whether the fair value measurement is appropriate.

For a description of fair value valuation techniques and inputs, refer to Notes 7 and 26.

6. Cash and cash dividends

	Dec. 31, 2023	Dec. 31, 2022
Petty cash and cash on hand	$ 30	$ 30
Demand deposits at banks	131,925	933,572
Cash equivalents (with investments which matures within three months)		
Time deposits	8,495,509	7,069,927
	$ 8,627,464	$ 8,003,529

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

	Dec. 31, 2023	Dec. 31, 2022
Demand deposits	0.010%~3.350%	0.395%~0.455%
Time deposits	0.625%~5.40%	0.31%~4.31%

7. Financial Instruments at Fair Value Through Profit or Loss

	Dec. 31, 2023	Dec. 31, 2022
Financial assets - non-current		
Non-derivative financial assets		
—Stocks of unlisted foreign companies		
Hai Ning Chang Meng Technology Partnership (limited partnership) (1)	$ 373,267	$ 248,619
—Stocks of listed domestic companies		
M3 Technology Inc. (2)	766,000	-
Powerchip Semiconductor Manufacturing Corporation (3)	-	5,368
—Stocks of unlisted domestic companies		
GeneASIC Technologies Corporation (4)	-	2,020
	$ 1,139,267	$ 256,007

(1) In August 2019, the Company signed an investment agreement with Hai Ning Chang Meng Technology Partnership (limited partnership) (referred to as "Hai Ning Chang Meng") subscribing and paying RMB 6,900 thousand, which accounted for 24.64% of the total contribution. The Company does not have the ability to influence relevant activities, hence it does not have significant influence. As of December 31, 2023, the paid contribution of the Company accounted for 24.64% of the paid-in capital.

(2) In November 2023, the Company acquired 4,000 thousand common shares of M3 Technology Inc. (referred to as "M3 Technology") on the centralized trading market for NT$500,000 thousand, mainly to enhance the efficiency of capital utilization of the Company and to seek cooperation opportunities to establish an advanced packaging ecosystem. As of December 31, 2023, the Company held a 9.40% share of the issued shares of M3 Technology. The Company was elected as a director at the extraordinary shareholders' meeting held by M3 Technology on January 31, 2024, and was subsequently appointed as chairman at the emergency board meeting on the same day.

(3) In August 2019, the Consolidated Company acquired common shares of Powerchip Semiconductor Manufacturing Corporation (referred to as "Powerchip), accounting for 0.048% of Powerchip's issued shares. The Consolidated Company made additional purchases of shares in June and August 2021, and June 2020, and participated in Powerchip's capital increase by cash in 2021. In November 2023, the Consolidated Company sold its shares in Powerchip for NT$4,637 thousand, realizing a profit of NT$856 thousand.

(4) In August 2020, the Consolidated Company acquired 500 thousand common shares of GeneASIC Technologies Corporation (referred to as "GeneASIC Technologies") for NT$500 thousand. The Consolidated Company did not participate in GeneASIC Technologies' capital increase by cash in April 2023, resulting in a decrease in its shareholding ratio to 13.12%. As of December 31, 2023, the Consolidated Company held a 13.12% share of the issued shares of GeneASIC Technologies.

8. Financial assets measured at amortized cost

	Dec. 31, 2023	Dec. 31, 2022
Current		
Time deposits which mature in more than 3 months	$ 2,819	$ 2,782

For the information of pledged financial assets measured at amortized cost, please see Note 28.

9. Accounts receivable and other receivables

	Dec. 31, 2023	Dec. 31, 2022
Accounts receivable		
Measure at amortized cost		
Total carrying amount	$ 472,561	$ 500,342
Less: Provision for loss	(9,212)	(4)
	$ 463,349	$ 500,338
Accounts receivable - related parties		
Measured at amortized cost	$ 199,356	$ 120,782
Other receivables		
Interest receivable	$ 28,576	$ 12,556
Tax refunds	15,906	16,947
Others	3,318	2,376
	$ 47,800	$ 31,879

Accounts receivable

To mitigate credit risk, the Company's management assigns a dedicated team to determine credit limits, approve credit facilities and other monitoring procedures to ensure that appropriate actions have been taken to collect overdue receivables. In addition, the Company reviews the recoverable amounts of receivables on a case-by-case basis at the balance sheet date to ensure that appropriate impairment losses have been recorded for uncollectible receivables. Accordingly, the Company's management believes that the credit risk of the Company has been significantly reduced.

The Company recognizes a provision for loss on accounts receivable based on the expected credit losses over the lifetime of the receivables. The lifetime expected credit losses are calculated considering the customer's past default history, current financial condition, and the economic conditions of the industry. The Company segments its customer base based on the historical experience of credit losses and establishes expected credit loss rates based on the overdue days of notes receivable and accounts receivable for different customer groups.

If there is evidence indicating that a counterparty is experiencing significant financial difficulty and the Company cannot reasonably expect to recover the amount due, the related accounts receivable are directly written off, though recovery efforts continue. Any amounts recovered through such efforts are recognized in profit or loss.

The Company measures the provision for loss on accounts receivable using a provision matrix as follows:

Dec. 31, 2023

	Not past due	1-30 days past due	31-60 days past due	61-90 days past due	91-180 days past due	181-360 days past due	Over 361 days past due	Total
Total carrying amount	$ 640,231	$ 22,474	$ -	$ -	$ -	$ -	$ 9,212	$ 671,917
Provision for loss (expected credit loss in the duration)	-	-	-	-	-	-	(9,212)	(9,212)
Amortized cost	$ 640,231	$ 22,474	$ -	$ -	$ -	$ -	$ -	$ 662,705

Dec. 31, 2022

	Not past due	1-30 days past due	31-60 days past due	61-90 days past due	91-180 days past due	181-360 days past due	Over 361 days past due	Total
Total carrying amount	$ 369,335	$ 14,462	$ 15,355	$ 24,568	$ 197,404	$ -	$ -	$ 621,124
Provision for loss (expected credit loss in the duration)	-	-	-	-	(4)	-	-	(4)
Amortized cost	$ 369,335	$ 14,462	$ 15,355	$ 24,568	$ 197,400	$ -	$ -	$ 621,120

Changes in loss provision of accounts receivable are as follows:

	2023	2022
Beginning balance	$ 4	$ 1,484
Provision (reversal) for impairment losses	9,208	(638)
Actual write-off	-	(842)
Ending balance	$ 9,212	$ 4

10. Inventories

	Dec. 31, 2023	Dec. 31, 2022
Final good	$ 183,977	$ 340,178
Work-in-progress	232,607	219,087
Raw materials	434,511	968,862
	$ 851,095	$ 1,528,127

The nature of the operating cost is as follows:

	2023	2022
Cost of goods sold	$ 2,407,973	$ 2,838,218
Inventory write-down	61,623	25,604
	$ 2,469,596	$ 2,863,822

11. Investments using the equity method

	Dec. 31, 2023	Dec. 31, 2022
Investment in subsidiaries	$ 163,696	$ 225,938
Investment in associates	106,011	114,991
	$ 269,707	$ 340,929

(1) Investment in subsidiaries

	Dec. 31, 2023	Dec. 31, 2022
AP Memory Corp, USA (hereinafter referred to as “AP-USA”)	$ 31,603	$ 34,386
Powerchip Semiconductor Manufacturing Corporation (hereinafter referred to as “Powerchip Semiconductor”)	-	-
AP Memory Technology (Hangzhou) Limited Co. (hereinafter referred to as “AP Memory Technology (Hangzhou)”)	101,369	155,892
APware Technology Corp. (hereinafter referred to as “APware”)	-	-
VIVR Corporation (hereinafter referred to as “VIVR”)	29,602	30,659
CascadeTeq Inc. (hereinafter referred to as “CascadeTeq”)	1,122	5,001
	$ 163,696	$ 225,938

	Ownership interests and voting rights percentages	
	Dec. 31, 2023	Dec. 31, 2022
AP-USA	100%	100%
Powerchip Semiconductor	-	-
AP Memory Technology (Hangzhou)	100%	100%
APware	100%	100%
VIVR	100%	100%
CascadeTeq	100%	100%

The details of the Company's indirectly held investment subsidiaries are referenced in Note 31 and Tables 5 and 6.

1. AP-USA was established in Oregon, USA, in February 2012, primarily engaging in the research and development services of integrated circuits. As of March 1, 2024, the Company has contributed capital of US$2,000 thousand.
2. Powerchip Semiconductor is involved in the design, development, and sale of integrated circuit products. Considering the overall operational planning and resource allocation of the group, Powerchip Semiconductor was dissolved on June 30, 2022, with the liquidation process completed on January 12, 2023.
3. AP Memory Technology (Hangzhou) was established in Hangzhou in December 2017, mainly engaged in the design, development, and sale of integrated circuits. As of March 1, 2024, the company's paid-in capital amount is US$2,000 thousand.
4. To accommodate the growth scale of reinvested enterprises and future operational layout planning, the Company decided through a board resolution on October 15, 2021, to invest and establish a subsidiary, APware, in the Cayman Islands. APware was established in October 2021, mainly engaged in the design, development, and sale of integrated circuits. As of March 1, 2024, the Company has not yet actually contributed capital.
5. In response to future product development and operational layout planning, the Company decided through a board resolution on August 30, 2022, to establish a subsidiary, VIVR, in the United States. VIVR was established in December 2022, mainly engaged in the design, development, and sale of integrated circuits and established its Taiwan branch on February 8, 2023. As of March 1, 2024, the company's paid-in capital amount is US$1,000 thousand.

6. To accommodate future operational layout planning, the Company decided through a board resolution on October 28, 2022, to establish a subsidiary, CascadeTeq. CascadeTeq was established in December 2022, primarily engaged in the sale of integrated circuits. The Company made capital contributions of NT$5,000 thousand in December 2022 and January 2024, respectively. As of March 1, 2024, the company's paid-in capital amount is NT$10,000 thousand.

The profit or loss and other comprehensive income shares of subsidiaries using the equity method for 2023 and 2022 are recognized based on the financial statements of each subsidiary audited by accountants for the same period.

(2) Investments in associates

	Dec. 31, 2023	Dec. 31, 2022
Non-significant associates		
Lyontek Inc. (hereinafter referred to as “Lyontek”) (1)	$ 91,867	$ 88,690
ONECENT TECHNOLOGY LTD. (hereinafter referred to as “ONECENT”) (2)	14,144	26,301
	$ 106,011	$ 114,991

Summary information regarding the Company's associates is as follows:

	2023	2022
Shares owned by the Company		
Net income (losses)	($ 543)	$ 5,964
Other comprehensive income	2,035	-
Total comprehensive income	$ 1,492	$ 5,964

(1) In October 2016, the Company invested NT$75,060 thousand to acquire 3,600 thousand common shares of Lyontek, representing a 30% ownership interest. The goodwill generated from the acquisition of Lyontek amounting to NT$2,610 thousand was recognized in the cost of investment in associate.

(2) The Company made investments of NT$238 thousand in May 2022 and NT$33,533 thousand in August 2022, cumulatively acquiring 3,600 thousand common shares of ONECENT, representing a 48% ownership interest. The management of the Company considers that it has significant influence over ONECENT, thus classifying it as an associate of the Company. The goodwill and intangible assets arising from the acquisition of ONECENT were recognized in the related costs of investment in the associate.

The profit or loss and other comprehensive income shares of ONECENT, an associated company accounted for using the equity method, are calculated based on unaudited financial statements. however, the Company's management believes that the unaudited financial reports of the said investee company do not have a significant impact.

12. Property, plant and equipment

	Machinery	Computers and Communication Equipment	Office Equipment	Leasehold Improvements	Total
Cost					
Balance on Jan. 1, 2023	$ 166,896	$ 11,688	$ 2,860	$ 15,079	$ 196,523
Addition	5,887	2,997	-	1,170	10,054
Internal transfers	34,777	-	-	-	34,777
Balance, Dec. 31, 2023	207,560	14,685	2,860	16,249	241,354
Accumulated depreciation					
Balance on Jan. 1, 2023	96,434	8,723	2,351	9,764	117,272
Depreciation expense	22,195	2,050	247	3,646	28,138
Internal transfers	20,866	-	-	-	20,866
Balance, Dec. 31, 2023	139,495	10,773	2,598	13,410	166,276
Balance on Dec. 31, 2023, net of tax	$ 68,065	$ 3,912	$ 262	$ 2,839	$ 75,078
Cost					
Balance, Jan. 1, 2022	$ 145,397	$ 10,307	$ 2,203	$ 15,031	$ 172,938
Addition	22,038	1,559	657	48	24,302
Disposal	(539)	(178)	-	-	(717)
Balance, Dec. 31, 2022	166,896	11,688	2,860	15,079	196,523
Accumulated depreciation					
Balance, Jan. 1, 2022	76,878	7,547	2,148	6,018	92,591
Depreciation expense	19,601	1,354	203	3,746	24,904
Disposal	(45)	(178)	-	-	(223)
Balance, Dec. 31, 2022	96,434	8,723	2,351	9,764	117,272
Balance on Dec. 31, 2022, net of tax	$ 70,462	$ 2,965	$ 509	$ 5,315	$ 79,251

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

Machinery	2-5 years
Computers and Communication Equipment	3 years
Office Equipment	3 years
Leasehold Improvements	3 years

13. Lease Agreements

(1) Right-of-use assets

	Dec. 31, 2023	Dec. 31, 2022
Carrying amount of right-of-use assets		
Buildings	$ 20,357	$ 9,781
Machinery	28,401	62,018
	$ 48,758	$ 71,799

	2023	2022
Addition of right-of-use assets	$ 21,258	$ 3,392
Depreciation expense of right-of-use assets		
Buildings	$ 10,682	$ 8,227
Machinery	19,707	20,866
	$ 30,389	$ 29,093

(2) Lease liabilities

	Dec. 31, 2023	Dec. 31, 2022
Carrying amount of lease liabilities		
Current	$ 22,497	$ 50,771
Non-current	$ 9,940	$ 5,654

The discount rate range for lease liabilities is as follows:

	Dec. 31, 2023	Dec. 31, 2022
Buildings	2%~2.5%	2%~2.5%
Machinery	1.8%	1.8%

(3) Other leasing information

	2023	2022
Short-term lease expenses	$ 4,231	$ 3,736
Total amount of cash (outflow) from lease	($ 50,272)	($ 43,441)

The Company has elected to apply the recognition exemption for short-term leases related to offices, dormitories, and several parking spaces, not recognizing right-of-use assets and lease liabilities for these leases.

14. Other intangible assets

	Computer Software	Technical Authorization	Total
Cost			
Balance on Jan. 1, 2023	$ 55,963	$ -	$ 55,963
Single acquisition	2,166	60,800	62,966
Balance on Dec. 31, 2023	58,129	60,800	118,929
Accumulated amortization			
Balance on Jan. 1, 2023	51,857	-	51,857
Amortization expense	2,824	1,689	4,513
Balance on Dec. 31, 2023	54,681	1,689	56,370
Balance on Dec. 31, 2023, net of tax	$ 3,448	$ 59,111	$ 62,559
Coat			
Balance on Jan. 1, 2022	$ 55,164	$ -	$ 55,164
Single acquisition	799	-	799
Balance on Dec. 31, 2022	55,963	-	55,963
Accumulated amortization			
Balance on Jan. 1, 2022	49,066	-	49,066
Amortization expense	2,791	-	2,791
Balance on Dec. 31, 2022	51,857	-	51,857
Balance on Dec. 31, 2022, net of tax	$ 4,106	$ -	$ 4,106

Amortization expense is calculated on a straight-line basis over the following useful lives:

Computer software	3 years
Technical Authorization	3 years

15. Other assets

	Dec. 31, 2023	Dec. 31, 2022
Current		
Prepayments	$ 50,975	$ 47,321
Others	518	511
	$ 51,493	$ 47,832
Non-current		
Photomasks and probe cards	$ 113,168	$ 103,112
Long-term prepayments	-	60,800
Prepaid bonuses	13,057	9,890
	$ 126,225	$ 173,802

16. Loans (Dec. 31, 2022: None.)

Short-term loans

	Dec. 31, 2023
Unsecured loans	
Loans using credit facilities	$ 300,000

The interest rate for loans using credit facilities as of December 31, 2023, was 1.60% to 1.98%.

17. Other liabilities

	Dec. 31, 2023	Dec. 31, 2022
Current		
Other payables		
Employee compensation payable	$ 50,283	$ 62,888
Salaries and bonuses payable	35,873	2,907
Validation fees payable	23,307	-
Photomasks and probe cards payable	8,319	13,759
Compensation for leaves payable	6,246	7,371
Director compensation payable	4,800	5,000
Commissioned research expenses payable	4,312	-
Labor and health insurance premiums payable	2,809	2,547
Pension payable	2,645	2,450
Service fees payable	2,488	2,376
Equipment expense payable	951	695
Repair and custodian fees payable	917	-
Others	6,384	4,054
	$ 149,334	$ 104,047
Other liabilities		
Accounts collected on behalf of others	$ 3,053	$ 2,387
Others	6,239	2
	$ 9,292	$ 2,389

18. Post-Employment Benefit Plans

Defined contribution plan

The retirement pension scheme applicable to the Company, under the "Labor Pension Act", is a government-managed defined contribution plan. Contributions of 6% of monthly salaries are made to the individual accounts at the Bureau of Labor Insurance.

19. Equity

(1) Share capital

1. Common shares

	Dec. 31, 2023	Dec. 31, 2022
Authorized shares (1,000 shares)	200,000	200,000
Authorized share capital	$ 1,000,000	$ 1,000,000
Number of issued shares fully paid by shareholders (1,000 shares)	162,004	161,557
Capital for issued shares	$ 810,020	$ 807,786
Prepaid share capital	$ 1,739	$ 848

Changes in the Company's share capital resulted from the issuance of global depository receipts, employees exercising employee stock options, and the write-down of treasury stock.

As of December 31, 2023, and 2022, the Company had 8,500 and 10,500 units of exercised employee stock options not yet issued as new ordinary shares, respectively, with the exercise prices received amounting to NT$1,739 thousand and NT$848 thousand accounted for as advance share capital.

The number of shares issued for employee stock options that had not been approved by the company registration authority as of December 31, 2023, was 129,500 shares.

2. Issuance of Global Depositary Receipts

On December 6, 2021, the Company decided through an extraordinary shareholders' meeting to conduct a capital increase by cash for the issuance of ordinary shares to participate in the issuance of global depository receipts. On January 25, 2022, 6,400 thousand units of global depository receipts were issued on the Luxembourg Stock Exchange, priced at US$29.65 per unit, with each unit representing 2 shares of the Company, totaling 12,800 thousand shares, raising a total of US$189,760 thousand. The aforementioned global depository receipts were all redeemed in February 2022.

(2) Capital surplus

	Dec. 31, 2023	Dec. 31, 2022
May be used to make good losses, to make cash payments or to increase capital (1)		
Shares issued at premium	$ 5,755,217	$ 5,731,976
Exercised and invalid employee stock options	197,605	189,031
Differences between the gain on acquisition or disposal of subsidiaries' shares and their carrying values	153,042	153,042
Acquired restricted shares for employees	47,595	47,595
Shares kept for employee stock options after capital increase by cash	467	467
	6,153,926	6,122,111
Only can be used to make good losses (2)		
Changes in the ownership of subsidiaries recognized for using the equity method	1,089	401
Cannot be used for any other purpose		
Employee stock options	79,415	56,435
	$ 6,234,430	$ 6,178,947

1. This type of capital surplus can be used to offset losses, or it can be used to issue cash dividends or increase share capital when the company has no losses. However, when increasing share capital, it is limited to a certain ratio of the paid-in share capital each year.
2. The capital surplus arising from the recognition of changes in ownership interests in subsidiaries, other than for covering deficits, shall not be used for any other purposes.

(3) Retained Earnings and Dividend Policy

According to the Company's articles of incorporation regarding the profit distribution policy, if there is a profit for the fiscal year, after legally paying taxes and compensating for accumulated losses, 10% of the profit is allocated to the legal reserve. The remainder is allocated or reversed to the special reserve as per legal requirements. If there is still a balance, along with the accumulated undistributed earnings, the board of directors shall draft a profit distribution proposal. When distributing by issuing new shares, it shall be resolved by the shareholders' meeting; when distributing in cash, it requires a resolution passed by more than two-thirds of directors present at the board meeting and more than half of the votes of the directors attending, and to be reported at the shareholders' meeting. The employee and director compensation distribution policy stipulated in the Company's articles of incorporation is referenced in Note 21(4) on “Compensation to employees and directors”.

Considering the Company's environment and growth stage, in response to future capital needs and long-term financial planning, dividends can be distributed in the form of cash dividends or stock dividends, where the ratio of cash dividends should not be less than 20% of the total dividend distribution to shareholders.

The aforementioned dividend distribution ratio can be adjusted by the shareholders' meeting based on the Company's actual profit and financial situation for the year.

The legal reserve must be allocated until its balance reaches the total amount of the Company's paid-in capital. The legal reserve can be used to offset losses. When the Company has no losses, the portion of the legal reserve exceeding 25% of the paid-in capital can be used for cash distribution besides capital increase.

The profit distribution proposals for the years 2022 and 2021 are as follows:

	2022	2021
Legal reserve	$ 194,170	$ 202,546
Special reserve recognition	$ 450	$ -
Cash dividends	$ 1,132,458	$ 968,275
Cash dividends per share (TWD)	$ 7.0	$ 6.0

The cash dividends mentioned above were resolved by the Board of Directors on February 24, 2023, and February 25, 2022, respectively, while the rest of the profit distribution items were also resolved in the regular meeting of shareholders on May 29, 2023, and May 27, 2022, respectively. Additionally, the cash dividends per share for 2021 have been adjusted to reflect the increase in the number of shares in circulation following the change in par value of stock.

Due to the execution of employee stock options, the actual cash dividends per share for 2022 and 2021 were adjusted to NT$6.99660505 and NT$5.99628435, respectively.

The profit distribution plan proposed by the Company's Board of Directors for the year 2023 on March 1, 2024 is as follows:

	2023
Legal reserve	$ 144,497
Reversal on special reserve	($ 107)
Cash dividends	$ 1,135,107
Cash dividends per share (TWD)	$ 7.0

The cash dividends have been resolved by the Board of Directors, with the remainder expected to be decided at the regular meeting of shareholders scheduled for May 27, 2024.

(4) Other equity items

Exchange differences arising on translation of foreign operations:

	2023	2022
Beginning balance	($ 450)	$ 8,728
Exchange differences arising on translation of foreign operations	107	4,265
Other comprehensive income	107	4,265
Adjustments for reclassified items		
Disposal of operations	-	(13,443)
Ending balance	($ 343)	($ 450)

(5) Treasury stock (2023: None.)

	Shares transferred to employees (1,000 shares)
2022	
Beginning number of shares	516
Decrease	(516)
Ending number of shares	-

To transfer shares to employees, the Company resolved through the Board of Directors on October 8, 2018, to repurchase treasury stocks during the period from October 9, 2018, to December 8, 2018, repurchasing 258 thousand shares at a total price of NT$11,246 thousand. Following the amendment of the Company's articles of incorporation approved in the regular meeting of shareholders in August 2021 to change the par value per share from NT$10 to NT$5, and the completion of the related conversion in October 2021, the number of repurchased treasury shares increased to

516 thousand. On February 25, 2022, the Company resolved through the Board of Directors to write down 516 thousand treasury shares and completed the related change registration.

Under the Securities and Exchange Act, the proportion of the Company's repurchased shares cannot exceed 10% of the total issued shares, and the total amount spent on the repurchase cannot exceed the amount of retained earnings plus the premium on issued shares and realized capital surplus. Shares repurchased for transfer to employees must be transferred within three years from the repurchase date; those not transferred within this period are considered unissued shares and must undergo change registration. Shares repurchased to protect the Company's credit and shareholder interests must be cancelled and undergo change registration within six months from the repurchase date. According to the Securities and Exchange Act, treasury stocks held by the Company cannot be pledged, and no shareholder rights are exercisable before transfer.

20. Revenue

	2023	2022
Income from customer contracts		
Merchandise sales revenue	$ 3,829,025	$ 4,572,785
Service revenue	166,723	227,428
Licensing revenue	90,214	152,451
Other income	29,015	18,517
	$ 4,114,977	$ 4,971,181

(1) Description of customer contracts

Refer to Note 4(12) for details.

(2) Contract balances

	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
Accounts receivable (including the part of related parties, Note 9)	$ 662,705	$ 621,120	$ 851,047
Contract liabilities			
Merchandise sales	$ 58,381	$ 22,981	$ 172,570

The changes in contract liabilities primarily result from the difference between the timing of fulfilling performance obligations and the timing of receiving payments from customers.

The amount recognized as revenue in the current year from contract liabilities at the beginning of the year is as follows:

	2023	2022
From beginning contract liabilities		
Merchandise sales	$ 22,981	$ 172,570

21. Net income

(1) Other income

	2023	2022
Income from dividends	$ 51	$ 322
Others	1,618	1,447
	$ 1,669	$ 1,769

(2) Depreciation and amortization

	2023	2022
Property, plant and equipment	$ 28,138	$ 24,904
Right-of-use assets	30,389	29,093
Other intangible assets	4,513	2,791
	$ 63,040	$ 56,788
Depreciation expense is summarized by function		
Cost of sales	$ 42,477	$ 40,653
Operating expenses	16,050	13,344
	$ 58,527	$ 53,997
Amortization expense is summarized by function		
Cost of sales	$ 105	$ 30
Operating expenses	4,408	2,761
	$ 4,513	$ 2,791

(3) Employee benefit expenses

	2023	2022
Benefits after retirement (Note 18)		
Defined contribution plan	$ 9,993	$ 9,104
Share-based payment		
Equity settlement	29,413	20,179
Other employee benefits		
Salary expense	350,454	291,947
Labor and health insurance premium expense	18,628	17,628
Other personnel expenses	17,818	15,901
	386,900	325,476
Total employee benefit expenses	$ 426,306	$ 354,759
Summarized by function		
Cost of sales	$ 49,116	$ 53,660
Operating expense	377,190	301,099
	$ 426,306	$ 354,759

(4) Compensation to employees and compensation to directors

The Company allocates employee compensation of not less than 1% and director compensation of not more than 3% of the annual pre-tax profit before deductions for compensation to employees and directors.

The estimated compensation to employees and directors for 2023 and 2022 were resolved by the board of directors on March 1, 2024, and February 24, 2023, respectively:

Estimated proportion

	2023	2022
Compensation to employees	2.17%	1.41%
Compensation to directors	0.29%	0.20%

Amount

	2023	2022
Compensation to employees	$ 36,057	$ 35,191
Compensation to directors	4,800	5,000

If the amounts change after the approval date of the annual parent company only financial statements, they will be treated as changes in accounting estimates and adjusted in the accounts in the following year.

The actual distribution amounts for compensation to employees and directors for 2022 and 2021 showed no difference from the amounts recognized in the 2022 and 2021 parent company only financial statements.

For information on the compensation to employees and directors resolved by the Company's board of directors, please refer to the Taiwan Stock Exchange's "Market Observation Post System".

(5) Foreign currency exchange gains (losses)

	2023	2022
Total gains on foreign exchange	$ 720,559	$1,338,700
Total losses on foreign exchange	(706,842)	(637,735)
Net income (losses)	$ 13,717	$ 700,965

22. Income tax

(1) The major components of income tax expense recognized in profit or losses:

	2023	2022
Current income tax expense		
Generated in the fiscal year	($ 273,606)	($ 465,476)
Additional tax on undistributed earnings	(30,447)	(42,732)
Investment tax credits	36,188	-
Adjustment from previous years	100,528	19,769
	(167,337)	(488,439)
Deferred income tax		
Generated in the fiscal year	(5,120)	(20,177)
Income tax expense recognized in profit or losses	($ 172,457)	($ 508,616)

The reconciliation of income before income tax and income tax expense recognized in profit or loss is as follows:

	2023	2022
Net income before tax	$ 1,617,427	$ 2,450,312
Income tax expenses for the tax on net income before tax at statutory rate	($ 323,485)	($ 490,062)
Unrecognizable income for tax purposes	54,800	4,409
Estimated investment tax credits	36,188	-
Adjustments from the income tax of previous years	100,528	19,769
Unrecognized temporary differences	(10,041)	-
Tax on undistributed Earnings	(30,447)	(42,732)
Income tax expense recognized in profit or losses	($ 172,457)	($ 508,616)

(2) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2023

	Beginning balance	Recognized in profit or losses	Ending balance
Deferred income tax assets			
Temporary differences			
Allowances for losses on market price decline and obsolete and slow-moving inventories	$ 28,725	$ 12,325	$ 41,050
Leaves payable	1,475	(225)	1,250
Foreign exchange losses	963	2,785	3,748
Losses on foreign investments accounted for using the equity method	-	11,943	11,943
Losses due to bad debts	-	498	498
	$ 31,163	$ 27,326	$ 58,489
Deferred income tax payable			
Temporary differences			
Financial assets measured at FVTPL	$ 43,717	$ 24,930	$ 68,647
Profit on foreign investments accounted for using the equity method	-	7,293	7,293
Profit on foreign exchange	1,415	223	1,638
	$ 45,132	$ 32,446	$ 77,578

2022

	Beginning balance	Recognized in profit or losses	Ending balance
Deferred income tax assets			
Temporary differences			
Foreign exchange losses	$ 596	$ 367	$ 963
Leaves payable	1,286	189	1,475
Allowances for losses on market price decline and obsolete and slow-moving inventories	23,604	5,121	28,725
	$ 25,486	$ 5,677	$ 31,163
Deferred income tax payable			
Temporary differences			
Financial assets measured at FVTPL	$ 18,721	$ 24,996	$ 43,717
Profit on foreign exchange	557	858	1,415
	$ 19,278	$ 25,854	$ 45,132

(3) Income tax assessments

The Company's profit-seeking enterprise income tax filings up to 2021 have been assessed by the tax collection authority.

23. Earnings per share

(NT$ per share)

	2023	2022
Basic earnings per share	$ 8.93	$ 12.09
Diluted earnings per share	$ 8.85	$ 11.96

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

Net income (loss) for the year

	2023	2022
Net income used for calculating the basic and diluted earnings per share	$ 1,444,970	$ 1,941,696

Number of shares

(In thousand shares)

	2023	2022
Weighted-average number of common shares for basic and diluted earnings (loss) per share calculations	161,847	160,602
Effects of dilutive potential common shares		
Employee stock options	1,313	1,453
Compensation to employees	95	246
Weighted-average number of common shares for diluted earnings (loss) per share calculation	163,255	162,301

If the Company has the option to distribute employee compensation in stock or cash, when calculating diluted earnings per share, it is assumed that employee compensation are to be distributed in the form of stock. This potential common stock is included in the weighted average number of shares outstanding for the calculation of diluted earnings per share if it has a dilutive effect. This consideration of the dilutive effect of such potential common stock continues until the number of shares to be distributed for employee compensation is determined in the following year.

24. Share-based payment agreement

(1) Employee stock option plan

Date of Payment	Dec. 22, 2023	Apr. 28, 2023	Dec. 23, 2022	Apr. 29, 2022	Mar. 12, 2021	Sep. 26, 2020	Dec. 20, 2019	Apr. 26, 2019	Nov. 9, 2018	Jan. 25, 2017
Date of approval by the board	Aug. 30, 2022	Aug. 30, 2022	Aug. 30, 2022	Jul. 30, 2021	Aug. 7, 2020	Aug. 7, 2020	Apr. 26, 2019	Aug. 8, 2018	Aug. 8, 2018	Nov. 3, 2016
Units given	398,400	173,670	426,330	267,000	69,430	319,000	750,000	8,000	692,000	680,000
Exercise price (TWD) (Notes 1 and 2)	457.5	279.5	170	251	781	333.5	83.7	43.85	44.8	81.70
Number of shares for a unit (Note 2)	1 common share	1 common share	1 common share	1 common share	1 common share	1 common share	1 common share	1 common share	1 common share	1 common share
Given to	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions
Vesting condition (Note 3)	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 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%
Duration (year)	10	10	10	10	10	10	10	10	10	10

Note 1: After the issuance of employee stock options, if there is a change in the Company's common shares or the Company distributes cash dividends, the exercise price of the stock options will be adjusted according to a specified formula. If the adjustment formula necessitates a re-measurement of the exercise price and if the adjusted exercise price exceeds the pre-adjustment exercise price, the exercise price will not be adjusted.

Note 2: After the issuance of employee stock options, if the Company undergoes a change in stock par value, the exercise price of the stock options will first be adjusted according to a specified formula, followed by an adjustment to the subscription ratio. However, stock options that have already been exercised will not be retroactively adjusted. In August 2021, the Company amended its articles of incorporation as resolved in the regular meeting of shareholders, changing the par value per share from NT$10 to NT$5, and completed the related conversion in October 2021. This resulted in the exercise price per share of stock options granted before October 2021 being adjusted to 50% of the original exercise price, with the number of shares each option could purchase adjusted from 1 share to 2 shares.

Note 3: Calculated from the date the employee stock options were granted.

Information related to the issued employee stock options is as follows:

Employee stock options	2023 Units	2023 Weighted Average Exercise Price (TWD)	2022 Units	2022 Weighted Average Exercise Price (TWD)
Beginning outstanding	1,754,073	$ 188.65	1,391,430	$ 162.99
Given in the fiscal year	572,070	401.70	693,330	201.19
Expired in the fiscal year	(160,445)	175.12	(223,000)	71.75
Exercised in the fiscal year	(223,350)	114.06	(107,687)	116.77
Ending outstanding	1,942,348	257.72	1,754,073	188.65
Exercisable at the end of the fiscal year	422,863	146.68	348,250	122.12
Weighted-average fair value of the stock options given in the fiscal year (TWD)	$ 189.92		$ 93.76	

The weighted average share price at the date of exercise for employee stock options in 2023 and 2022 was NT$299.90 and NT$362.74, respectively.

As of the balance sheet date, information related to outstanding employee stock options is as follows:

Dec. 31, 2023			Dec. 31, 2022		
Date of Issue	Exercise Price (TWD)	Weighted-average Contract Duration Left (year)	Date of Issue	Exercise Price (TWD)	Weighted-average Contract Duration Left (year)
Nov. 09, 2018	$ 42.40	4.86	Jan. 25, 2017	$ 71.40	4.07
Apr. 26, 2019	41.40	5.32	Nov. 9, 2018	43.20	5.86
Dec. 20, 2019	79.20	5.98	Apr. 26, 2019	42.20	6.32
Sep.26, 2020	316.00	6.74	Dec. 20, 2019	80.80	6.98
Mar. 12, 2021	739.60	7.20	Sep. 26, 2020	322.80	7.74
Apr. 29, 2022	240.90	8.33	Mar. 12, 2021	755.40	8.20
Dec. 23, 2022	166.50	8.99	Apr. 29, 2022	246.00	9.33
Apr. 28, 2023	273.70	9.33	Dec. 23, 2022	170.00	9.99
Dec. 22, 2023	457.50	9.98			

The employee stock options granted by the Company in December 2023, April 2023, December 2022, and April 2022 were valued using the binomial option pricing model, with the parameters used in the valuation model as follows:

Year of Giving	Dec. 2023	Apr. 2023	Dec. 2022	Apr. 2022
Fair value as of the giving date	NT$180.44~247.78	NT$105.05~151.06	NT$63.59~92.52	NT$92.47~137.32
Exercise price	NT$457.50	NT$279.50	NT$170.00	NT$251.00
Expected volatility	61.98%~66.32%	63.00%~65.36%	63.42%~64.94%	63.93%
Expected duration	6~7.5 years	6~7.5 years	6~7.5 years	6~7.5 years
Expected dividend yield	-	-	-	-
Risk-free interest rate	1.18%~1.20%	1.11%~1.14%	1.17%~1.22%	1.10%~1.17%

The expected volatility is calculated based on the historical stock price volatility of similar companies. The Company assumes that employees will exercise their stock options at the midpoint between the vesting period end and the expiration date of the options.

The compensation costs recognized for 2023 and 2022 were NT$29,413 thousand and NT$20,179 thousand, respectively. The compensation costs associated with employee stock options granted to employees of subsidiaries for 2023 and 2022 were NT$2,141 thousand and NT$5,920 thousand, respectively.

25. Capital Risk Management

The Company conducts capital management to ensure its ability to continue as a going concern while maximizing shareholder returns through optimizing the balance of debt and equity.

The capital structure of the Company consists of equity of the Company, which includes share capital, capital surplus, retained earnings, and other equity items.

The Company is not subject to any external capital requirements.

The management of the Company regularly reviews the capital structure, considering the costs and risks associated with various capital structures. Generally, the Company employs a cautious risk management strategy.

26. Financial Instruments

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

The main management of the Company believes that the carrying amounts of financial assets and financial liabilities not measured at fair value in the parent company only financial statements approximate their fair values.

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

1. Fair value hierarchy

Dec. 31, 2023

	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Investments in equity instruments	$ 766,000	$ -	$ 373,267	$ 1,139,267

Dec. 31, 2022

	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Investments in equity instruments	$ 5,368	$ -	$ 250,639	$ 256,007

2. Reconciliation of Level 3 fair value measurements of financial instruments

2023

Financial Assets	Measured at Fair Value through Profit or Loss Equity Instruments
Beginning balance	$ 250,639
Recognized in profit or losses	122,628
Ending balance	$ 373,267
Unrealized gains related to the assets held at the end of year and recognized in profit or losses	$ 122,628

2022

Financial Assets	Measured at Fair Value through Profit or Loss Equity Instruments
Beginning balance	$ 129,988
Recognized in profit or losses	120,651
Ending balance	$ 250,639
Unrealized gains related to the assets held at the end of year and recognized in profit or losses	$ 120,651

3. Level 3 fair value measurement techniques and inputs

Financial instruments	Evaluation techniques and input values
Unlisted domestic and foreign stocks	1. The market approach is used, referring to the valuation of similar companies and recent fundraising activities of the investee company to measure its fair value. 2. The asset approach is used, referring to the total market value of the individual assets and individual liabilities of the investee company to measure its fair value.

(3) Categories of financial instruments

	Dec. 31, 2023	Dec. 31, 2022
Financial assets		
Investments in equity instruments measured at fair value through profit or loss	$ 1,139,267	$ 256,007
Measured at amortized cost (Note 1)	9,783,863	9,106,390
Financial liabilities		
Measured at amortized cost (Note 2)	744,593	283,838

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

Note 2: The balance includes financial liabilities measured at amortized cost such as short-term loans, accounts payable, other payables (including related parties), and deposits received.

(4) Financial Risk Management Objectives and Policies

The primary financial instruments of the Company include equity and debt instrument investments, accounts receivable, other receivables, refundable deposits, loans, accounts payable, other payables, lease liabilities, and deposits received. The financial management department of the Company provides services to business units, overseeing and managing financial risks related to the operations of the Company.

These risks include market risks (including exchange rate risk, interest rate risk, and other price risks), credit risks, and liquidity risks.

1. Market Risk

The main financial risks borne by the Company due to its operating activities include foreign currency exchange rate risk (see below (1)), interest rate risk (see below (2)), and other price risks (see below (3)).

There has been no change in the Company's exposure to market risks related to financial instruments and the ways in which it manages and measures such exposures.

(1) Exchange rate risk

The Company is involved in transactions of sales and purchases denominated in foreign currencies, thereby exposing the Company to exchange rate fluctuation risks.

Refer to Note 30 for the carrying amounts of monetary assets and liabilities denominated in non-functional currencies at the balance sheet date.

Sensitivity Analysis

The Company is primarily affected by fluctuations in the USD exchange rate.

The table below details a sensitivity analysis for the Company when the exchange rate of the functional currency (TWD) against the USD increases or decreases by 5%. The sensitivity analysis only includes monetary items denominated in foreign currencies that are outstanding at year-end and adjusts their conversion at the end of the year by a 5% change in exchange rates. The positive figures in the table indicate the amount by which net income before tax would decrease when the functional currency appreciates by 5% against the USD; when the functional currency depreciates by 5% against the USD, the impact on net income before tax would be the same amount in negative.

	USD Impact	
	2023	2022
Loss (i)	$ 385,149	$ 382,478

(i) Mainly arising from the Company's USD-denominated current and fixed deposits, accounts receivable, other receivables, accounts payable, and other payables that are outstanding at the balance sheet date and not hedged for cash flow.

(2) Interest rate risk

The carrying amount of the Company's financial assets and liabilities with exposure to interest rates at the end of the reporting period were as follows:

	Dec. 31, 2023	Dec. 31, 2022
Fair value interest rate risk		
－Financial assets	$ 8,498,328	$ 7,072,709
－Financial liabilities	332,437	56,425
Cash flow interest rate risk		
－Financial assets	131,925	933,572

Sensitivity Analysis

The sensitivity analysis for interest rate risk is determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate assets and liabilities, the analysis assumes that the amounts of assets and liabilities outstanding at the balance sheet date were outstanding for the entire reporting period. An increase of 50 basis points, with all other variables held constant, would increase the Company's net income before tax by NT$660 thousand and NT$4,668 thousand for 2023 and 2022, respectively, mainly due to the Company's floating rate deposits.

(3) Other price risk

The price risk of financial assets measured at fair value through profit or loss for the Company in 2023 and 2022 primarily arises from equity instrument investments.

Sensitivity Analysis

The following sensitivity analysis is based on equity prices at the balance sheet date.

If equity prices were to increase/decrease by 5%, the net income before tax of the Company for 2023 and 2022 would respectively increase/decrease by NT$56,963 thousand and NT$12,800 thousand, due to the change in fair value of financial assets measured at fair value through profit or loss.

2. Credit Risk

Credit risk refers to the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. As of the balance sheet date, the maximum exposure to credit risk that could cause financial loss to the Company mainly arises from the carrying amounts of financial assets recognized on the parent company only balance sheet.

The policy adopted by the Company involves transacting with creditworthy parties and obtaining adequate collateral, where necessary, to mitigate the financial loss from defaults. The Company uses publicly available financial information and its transaction history to rate its major customers. The Company continuously monitors credit exposure and the credit ratings of its counterparties, distributing the total transaction volume across customers with qualified credit ratings.

The credit risk of the Company is primarily concentrated on a few customers. As of December 31, 2023, and 2022, the accounts receivable balances exceeding 10% of the total are summarized as follows:

	Dec. 31, 2023
Customer D	$ 181,366
Customer A	160,633
	$ 341,999

	Dec. 31, 2022
Customer C	$ 178,267
Customer D	145,215
Customer A	66,709
	$ 390,191

To mitigate credit risk, the management of the Company has assigned a dedicated team responsible for deciding on credit limits, approving credit, and other monitoring procedures to ensure that appropriate actions are taken for the recovery of overdue receivables. Moreover, at the balance sheet date, the Company reviews the recoverability of receivables to ensure that appropriate impairment losses are recognized for irrecoverable amounts. Based on this, the management of the Company believes that the credit risk has been significantly reduced.

3. Liquidity Risk

The objective of managing liquidity risk is to ensure that the Company has sufficient liquidity to meet its operational needs over the next 12 months. The Company achieves this by maintaining adequate levels of cash and cash equivalents to meet its contractual obligations, continuously controlling changes in cash flows, net cash positions, and significant capital expenditures, timely monitoring the usage of bank financing facilities, and ensuring compliance with loan agreement terms.

Bank borrowings are an important source of liquidity for the Company. Refer to the explanation below for the unused borrowing facilities of the Company.

(1) Liquidity and interest rate risk table

The table below details the remaining contractual maturity analysis of non-derivative financial liabilities of the Company with agreed repayment periods, based on the earliest date the Company could be required to pay. The table is prepared using the undiscounted cash flows of financial liabilities, including both interest and principal cash flows.

Dec. 31, 2023

	Weighted average effective interest rate (%)	Request pay-as-you-go or less than 3 months	3 months to 1 year	1-5 years	Over 5 years
Non-derivative financial liabilities					
No interest-bearing liabilities	-	$ 424,522	$ 4,071	$ -	$ -
Lease liabilities	2.08	14,916	7,912	10,114	-
Fixed rate instruments	1.81	300,496	-	-	-
		$ 739,934	$ 11,983	$ 10,114	$ -

Dec. 31, 2022

	Weighted average effective interest rate (%)	Request pay-as-you-go or less than 3 months	3 months to 1 year	1-5 years	Over 5 years
Non-derivative financial liabilities					
No interest-bearing liabilities	-	$ 186,120	$ 67,888	$ -	$ -
Lease liabilities	1.83	12,530	38,888	5,683	-
		$ 198,650	$ 106,776	$ 5,683	$ -

(2) Amount of financing

	Dec. 31, 2023	Dec. 31, 2022
Amount of bank loan		
Amount utilized	$ 300,000	$ -
Amount unutilized	610,575	600,000
	$ 910,575	$ 600,000

The operating capital and financing amount of the Company are sufficient to support operational needs, thus there is no liquidity risk arising from the inability to raise funds to fulfill contractual obligations.

27. Related Party Transactions

Other than the part disclosed in other notes, transactions between the Company and other related parties are as follows:

(1) Related party names and categories

Name of related party	Relationship with the consolidated company
Lyontek	Associate
ONECENT	Associate
AP-USA	Subsidiary
AP Memory Technology (Hangzhou)	Subsidiary
VIVR	Subsidiary
CascadeTeq	Subsidiary
AP Memory Technology (Hong Kong)	Sub-subsidiary

(2) Net revenue

Name	2023	2022
AP Memory Technology (Hong Kong)	$ 826,378	$ 1,186,019
AP Memory Technology (Hangzhou)	403,377	175,086
CascadeTeq	386	-
Associates	7,378	9,992
	$ 1,237,519	$ 1,371,097

Transactions with related parties for sales are processed at prices agreed upon by both parties, with payment periods comparable to those of general customers.

(3) Accounts receivable - related parties

Name of related party	Dec. 31, 2023	Dec. 31, 2022
AP Memory Technology (Hong Kong)	$ 162,836	$ 97,601
AP Memory Technology (Hangzhou)	36,127	23,181
CascadeTeq	393	-
	$ 199,356	$ 120,782

(4) Other payables - related parties

Name of related party	Dec. 31, 2023	Dec. 31, 2022
AP-USA	$ 17,410	$ 15,830
VIVR	6,663	-
	$ 24,073	$ 15,830

(5) Commissioned research and design fees

Name of related party	2023	2022
AP-USA	$ 68,893	$ 61,814
VIVR	22,600	-
	$ 91,493	$ 61,814

Transactions with related parties, where no comparable transactions exist, are negotiated and determined by both parties. Commissioned research and design fees to AP-USA and VIVR are paid quarterly in accordance with the contract.

(6) Key management personnel compensation

	2023	2022
Short-term employee benefits	$ 51,924	$ 54,620
Post-employment benefits	324	333
Share-based payment	8,626	4,025
	$ 60,874	$ 58,978

The compensation to directors and other key management personnel is determined by the Remuneration Committee based on individual performance and market trends.

28. Pledged Assets

The following assets have been provided as customs guarantee for the import of raw materials:

	Dec. 31, 2023	Dec. 31, 2022
Pledged time deposits (financial assets measured at amortized cost)	$ 2,819	$ 2,782

29. Significant Contingent Liabilities and Unrecognized Commitments

In addition to the other notes described, the Company's significant commitments and contingencies as of the balance sheet date are as follows:

Significant Commitments

The Company has entered into long-term contracts for the purchase of raw materials with suppliers, from October 2021 to December 2024, and provided NT$443,440 thousand as a capacity purchase deposit in October 2021. The contract also specifies monthly purchase quantities and compensation for shortfalls if purchases do not meet contractual amounts. Considering the current trading pattern and actual dealings with the suppliers, the Company assesses that there is no significant likelihood of compensation being required, therefore these contracts do not have a significant impact on the financial and operational aspects.

31. Information on Foreign Currency Financial Assets and Liabilities with Significant Effects

The information below is expressed in a foreign currency other than the functional currency of the entities in the Company and the disclosed exchange rate refers to the exchange rate at which the foreign currency is converted into the functional currency. Significant foreign currency assets and liabilities are as follows:

Unit: Except for the exchange rate, which is in dollars ($1), all foreign currency/book amounts are in thousands ($1,000).

Dec. 31, 2023

	Foreign Currency	Exchange Rate	Book Amount
Foreign Currency Assets			
Monetary Items			
USD	$ 260,367	30.705 (USD:TWD)	$ 7,994,579
Non-monetary Items			
Equity instruments measured at fair value through profit or loss			
RMB	86,265	4.327 (RMB:TWD)	$ 373,267
Subsidiaries and associates accounted for using the equity method			
USD	2,454	30.705 (USD:TWD)	75,349
RMB	23,427	4.327 (RMB:TWD)	101,369
			$ 176,718
Foreign Currency Liabilities			

Monetary Items			
USD	$ 9,497	30.705 (USD:TWD)	$ 291,594

Dec. 31, 2022

	Foreign Currency	Exchange Rate	Book Amount
Foreign Currency Assets			
Monetary Items			
USD	$ 254,995	30.71 (USD:TWD)	$ 7,830,913
Non-monetary Items			
Equity instruments measured at fair value through profit or loss			
RMB	56,402	4.408 (RMB:TWD)	$ 248,619
Subsidiaries and associates accounted for using the equity method			
USD	$ 2,974	30.71 (USD:TWD)	91,346
RMB	35,366	4.408 (RMB:TWD)	155,892
			$ 495,857
Foreign Currency Liabilities			
Monetary Items			
USD	5,905	30.71 (USD:TWD)	$ 181,362

Significant foreign exchange gains or losses (including realized and unrealized) are as follows:

	2023		2022	
Foreign Currency	Exchange Rate	Net Exchange (Loss)/Gain	Exchange Rate	Net Exchange (Loss)/Gain
USD	31.155 (USD:TWD)	$ 12,781	29.805 (USD:TWD)	$ 700,031
JPY	0.2221 (JPY:TWD)	1,000	0.2275(JPY:TWD)	977
EUR	33.70 (EUR:TWD)	(64)	31.36(EUR:TWD)	(36)
RMB	4.396 (RMB:TWD)	-	4.422 (RMB:TWD)	(7)
		$ 13,717		$ 700,965

31. Additional Disclosures

(1) Information on major transactions (2) Transfer of investment business

1. Financings provided: None.
2. Endorsements/guarantees provided: None.
3. Marketable securities held (excluding the part of investment subsidiaries): Table 1.
4. Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: Table 2.
5. Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: None.
6. Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None.
7. Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 3.
8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 4.
9. Information about the derivative financial instrument transaction: None.
10. Information on investees: Table 5.

(3) Information on investment in mainland China:

1. The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Table 6.
2. Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports:
   (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
   (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Note 27.
   (3) The amount of property transactions and the amount of the resultant gains or losses: None.

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

(5) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds: None.

(6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: Note 27.

(4) Information of major shareholders: List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: Table 7.

AP Memory Technology Corporation

Marketable Securities Held

Dec. 31, 2023

Table 1

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	At the End of Period				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value (Note)	
AP Memory Technology Corporation	Listed (OTC) shares							
	M3 Technology Inc.	—	Financial assets measured at FVTPL - non-current	4,000,000	$ 766,000	9.40%	$ 766,000	
	Unlisted (non-OTC) shares							
	Hai Ning Chang Meng Technology Partnership (limited partnership)	—	Financial assets measured at FVTPL - non-current	-	373,267	24.64%	373,267	
	GeneASIC Technologies Corporation	—	Financial assets measured at FVTPL - non-current	500,000	-	13.12%	-	

Note 1: Refer to Tables 5 and 6 for information about subsidiaries and associates.

AP Memory Technology Corporation

Marketable Securities Acquired and Disposed of at Costs or Prices of at Least NT$300 million or 20% of the Paid-in Capital

For the Year Ended December 31, 2023

Table 2

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

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Beginning Balance		Acquisition				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain/Loss on Disposal	Shares	Amount (Note 1)
AP Memory Technology Corporation	Stock M3 Technology Inc.	Financial assets measured at FVTPL - non-current			-	$ -	4,000,000	$ 500,000	-	$ -	$ -	$ -	4,000,000	$ 766,000

Note 1: The ending balance includes the amount of gain or loss on valuation of financial assets.

Note 2: Paid-in capital refers to the parent company's paid-in capital. If the issuer's stock has no par value or the par value per share is not NT$10, the transaction amount of 20% of the paid-in capital is calculated based on 10% of the equity attributable to the owners of the parent company on the balance sheet.

AP Memory Technology Corporation

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

For the Year Ended December 31, 2023

Table 3

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

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	Sub-subsidiary	Sale	($ 826,378)	(19.46%)	Net 90 days after monthly closing	$ -	—	$ 162,836	27.31%	Note 2
AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	Subsidiary	Sale	(403,377)	(9.50%)	Net 30 days after monthly closing	-	—	36,127	6.06%	Note 2

Note 1: The transactions between the Company and AP Memory Technology (Hong Kong) Co. Limited and are AP Memory Technology (Hangzhou) Co. Limited based on the prices and conditions agreed by both parties.

Note 2: Paid-in capital refers to the parent company's paid-in capital. If the issuer's stock has no par value or the par value per share is not NT$10, the transaction amount of 20% of the paid-in capital is calculated based on 10% of the equity attributable to the owners of the parent company on the balance sheet.

AP Memory Technology Corporation

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

Dec. 31, 2023

Table 4

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

Company Name	Related Party	Relationship	Ending Balance of Receivables	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	Sub-subsidiary	$ 162,836	6.35	$ -	-	$ 108,797	$ -

Note: Paid-in capital refers to the parent company's paid-in capital. If the issuer's stock has no par value or the par value per share is not NT$10, the transaction amount of 20% of the paid-in capital is calculated based on 10% of the equity attributable to the owners of the parent company on the balance sheet.

AP Memory Technology Corporation

Information on Investees

For the Year Ended December 31, 2023

Table 5

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Losses) of the Investee (Note 2)	Share of Profits/Losses of Investee (Notes 2 and 4)	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Value (Notes 1 and 4)			
AP Memory Technology Corporation	AP Memory Corp, USA	Suite 251,BG Plaza,3800 S.W. Cedar Hills Blvd, Beaverton OR. 97005, USA	Integrated Circuit Research and Development Services	$ 60,521 (USD 2,000,000)	$ 60,521 (USD 2,000,000)	2,000,000	100%	$ 31,603	($ 5,594) (USD -179,550)	($ 5,594)	Subsidiary
	Lyontek Inc.	No. 17, Industry East 2nd Road, East District, Hsinchu City	Design and Sale of Integrated Circuit	75,060	75,060	3,600,000	30%	91,867	47,789	14,337	Associate
	APware Technology Corp.	Suite 102, Cannon Place, North Sound Rd., George Town, Grand Cayman, Cayman Islands	Design, Development, and Sale of Integrated Circuits	-	-	-	100%	-	-	-	Subsidiary (Note 3)
	ONECENT TECHNOLOGY LTD.	4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands	Design, development and sales of radio frequency identification systems	33,771 (USD 1,128,000)	33,771 (USD 1,128,000)	3,600,000	47%	14,144	(28,669) (USD -920,219)	(14,880)	Associate
	VIVR Corporation	Suite W 100 North Howard Street, Spokane Washington, 99201, US	Design, Development, and Sale of Integrated Circuits	32,140 (USD 1,000,000)	32,140 (USD 1,000,000)	10,000,000	100%	29,602	(1,065) (USD -34,196)	(1,065)	Subsidiary
	CascadeTeq Inc.	8F.-5, No. 1, Taiyuan 1st St., Zhubei City, Hsinchu County	Sale of Integrated Circuits	5,000	5,000	500,000	100%	1,122	(3,879)	(3,879)	Subsidiary
AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited	Rm.19C,Lockhart Ctr.,301-307 Lockhart Rd.,Wan Chai, Hong Kong.	Sale of Integrated Circuits	275 (USD 10,000)	275 (USD 10,000)	10,000	100%	4,322	(12,481)	(12,481)	Subsidiary Subsidiary

Note 1: Translation was based on the exchange rate on December 31, 2023.

Note 2: Translation was based on the average exchange rate for the nine months ended December 31, 2023.

Note 3: In order to meet the future operational plan, the Consolidated Company established a subsidiary, APware Technology Corp. in the Cayman Islands in October 2021, but has not yet made any actual capital investment.

Note 4: Apart from ONECENT TECHNOLOGY LTD., the amounts were recognized based on the CPA-certified financial statements prepared for the same fiscal year.

AP Memory Technology Corporation

Information on Investment in Mainland China

For the Year Ended December 31, 2023

Table 6

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023 (Note 1)	Net Income (Losses) of the Investee Company (Note 3)	Percentage of Ownership	Share of Profits/Losses (Note 3 and 5)	Carrying Value as of December 31, 2023 (Note 4 and 5)	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow						
AP Memory Technology (Hangzhou) Limited Co.	Design, Development, and Sale of Integrated Circuits	$ 58,009 (USD 2,000,000)	Note 2	$ 58,009 (USD 2,000,000)	$ -	$ -	$ 58,009 (USD 2,000,000)	($ 51,917) (RMB11,809,910)	100%	($ 51,917)	$ 101,369	$ -

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
$ 58,009(USD 2,000,000)	$ 58,009(USD 2,000,000)	$ 6,793,076 (Note 6)

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

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

Note 3: Translation was based on the average exchange rate of 2023.

Note 4: Translation was based on the exchange rate on December 31, 2023.

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

Note 6: The calculation is made based on 60% of the Company’s net value on December 31, 2023, in accordance with Letter No. 09704604680 issued by the Ministry of Economic Affairs.

AP Memory Technology Corporation

Information on Major Shareholders

Dec. 31, 2023

Table 7

Shareholders	Shares	
	Total Shares Owned	Percentage of Ownership
Shanyi Investment Co., Ltd.	26,706,668	16.48%

Note 1: The major shareholder information in this table is calculated by the central securities depository based on the last business day of the quarter, taking into account the common shares and preferred shares held by the shareholders that have completed the dematerialized registration and delivery (including treasury shares), totaling 5% or more. The share capital recorded in the consolidated financial statements of the company and the actual number of shares that have completed the dematerialized registration and delivery may differ due to differences in calculation bases or other reasons.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to the Market Observation Post System website of the TWSE.

§TABLE OF CONTENTS, SCHEDULE OF SIGNIFICANT ACCOUNTS§

AP Memory Technology Corporation

Statement of Cash and Cash Equivalents

Dec. 31, 2023

Table 1

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

Item	Summary	Amount
Cash on hand and petty cash		$ 30
Demand deposits with banks		
Demand Deposits (New Taiwan Dollar)		34,879
Demand Deposits (Foreign Currency)	US$3,161 thousand @30.705	97,046
		131,925
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits with banks		
Demand deposits (New Taiwan Dollar)		1,270,000
Demand deposits (foreign currency)	US$235,320 thousand @30.705	7,225,509
		8,495,509
Total		$ 8,627,464

AP Memory Technology Corporation

Statement of accounts receivables

Dec. 31, 2023

Table 2 (In Thousands of New Taiwan Dollars)

Item	Amount
Accounts receivable - non-related parties	
Customer D	$ 181,365
Customer A	160,633
Customer B	26,647
Customer E	26,220
Customer F	23,330
Others (Note)	54,366
Less: Allowance for doubtful accounts	(9,212)
Net accounts receivable - non-related parties	463,349
Accounts receivable - related parties (Note 27)	199,356
Net accounts receivable	$ 662,705

Note: The balance of each account does not exceed 5% of the total balance of this category.

AP Memory Technology Corporation

Statement of Inventories

Dec. 31, 2023

Table 3 (In Thousands of New Taiwan Dollars)

	Amount	
Item	Cost	Net realizable value
Raw materials	$ 540,875	$ 584,067
Work in progress	285,839	659,858
Finished goods	229,630	403,915
	1,056,344	$ 1,647,840
Less: Allowance for price decline in inventories	(205,249)	
Total	$ 851,095	

AP Memory Technology Corporation

Statement of Changes in Financial Assets Measured at FVTPL - Non-Current

For the year ended on Dec. 31, 2023

Table 4

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

	Beginning Balance		Increases during the Period		Decreases during the Period		Ending Balance		Guarantees or Collateral Provided	Note
	Number of Shares	Fair Value	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Fair Value		
Foreign unlisted (non-OTC) shares										
Hai Ning Chang Meng Technology Partnership (limited partnership)	-	$ 248,619	-	$ 124,648	-	$ -	-	$ 373,267	None	
Domestic listed (OTC) shares										
M3 Technology Inc.	-	-	4,000,000	766,000	-	-	4,000,000	766,000	None	
Powerchip Semiconductor Manufacturing Corporation	168,560	5,368	-	-	168,560	5,368	-	-	None	
Domestic unlisted (non-OTC) shares										
GeneASIC Technologies Corporation	500,000	2,020	-	-	-	2,020	500,000	-	None	Note
		$ 256,007		$ 890,648		$ 7,388		$ 1,139,267		

Note: The decrease for the year is due to a full impairment provision.

AP Memory Technology Corporation

Statement of Changes in Investments Accounted for Using the Equity Method

Dec. 31, 2023

Table 5

(In Thousands of New Taiwan Dollars)

Name	Beginning Balance		Increases (Decreases) during the Year		Changes in Equity Interests (Note 3)	Share of Profit or Loss of Subsidiaries Accounted for Using the Equity Method	Exchange Differences on Translating Foreign Operations	Ending Balance		Year-End Percentage of Ownership	Equity Interest	Guarantees or Collateral Provided	Note
	Number of Shares	Amount	Number of Shares	Amount				Number of Shares	Amount				
Evaluated Using the Equity Method													
AP Memory Corp, USA	2,000,000	$ 34,386	-	$ -	$ 2,776	($ 5,594)	$ 35	2,000,000	$ 31,603	100%	$ 31,603	None	
AP Memory Technology (Hangzhou) Limited Co.	-	155,892	-	-	(867)	(51,917)	(1,739)	-	101,369	100%	101,369	None	Note 1
Lyontek Inc.	3,600,000	88,690	-	(11,160)	-	14,337	-	3,600,000	91,867	30%	297,553	None	Note 2
ONECENT TECHNOLOGY LTD.	3,600,000	26,301	-	-	688	(14,880)	2,035	3,600,000	14,144	47%	(86,807)	None	
VIVR Corporation	10,000,000	30,659	-	-	232	(1,065)	(224)	10,000,000	29,602	100%	29,602	None	
CascadeTeq Inc.	500,000	5,001	-	-	-	(3,879)	-	500,000	1,122	100%	1,122	None	
		$ 340,929		($ 11,160)	$ 2,829	($ 62,998)	$ 107		$ 269,707		$ 374,442		

Note 1: Direct investment by AP Memory Technology Corporation in AP Memory Technology (Hangzhou) Limited Co., approved by the Investment Review Committee of the Ministry of Economic Affairs.

Note 2: The decrease for the year is due to the cash dividends received from Lyontek Inc. for the year, amounting to NT$11,160 thousand.

Note 3: Capital changes arising from granting employee stock options.

AP Memory Technology Corporation

Statement of Refundable Deposits

Dec. 31, 2023

Table 6 (In Thousands of New Taiwan Dollars)

Nature	Amount
Refundable deposits	
Guarantees for purchase contracts	$ 443,440
Others (Note)	15,540
	$ 458,980

Note: The balance of each account does not exceed 5% of the total balance of this category.

AP Memory Technology Corporation

Statement of Accounts Payable

Dec. 31, 2023

Table 7 (In Thousands of New Taiwan Dollars)

Item	Amount
Non-related parties	
Supplier A	$ 175,598
Supplier B	35,517
Supplier C	28,683
Others (Note)	15,387
Total	$ 255,185

Note: The balance of each account does not exceed 5% of the total balance of this category.

AP Memory Technology Corporation

Statement of Operating Revenue

For the year ended on Dec. 31, 2023

Table 8 (In Thousands of New Taiwan Dollars)

Item	Amount
Operating revenue	
Integrated circuits	$ 3,849,582
Service revenue	166,723
Licensing revenue	90,214
Other revenue	29,015
	4,135,534
Sales returns and allowances	(20,557)
Net operating revenue	$ 4,114,977

AP Memory Technology Corporation

Statement of Operating Cost

For the year ended on Dec. 31, 2023

Table 9 (In Thousands of New Taiwan Dollars)

Item	Amount
Operating costs	
Consumption of raw materials	
Add: Beginning inventory of raw materials	$ 1,043,832
Purchases during the year	1,213,346
Less: Ending inventory of raw materials	(540,875)
Other	(3,085)
	1,713,218
Manufacturing expenses	453,092
Add: Beginning work-in-process	246,521
Other	7,682
Less: Ending work-in-process	(285,839)
Add: Beginning finished goods	381,401
Purchases during the year	46,785
Other	80,105
Less: R&D usage	(18,058)
Ending finished goods	(229,630)
	2,395,277
Add: Price decline and obsolescence in inventories	61,623
Inventory scrap losses	12,696
Operating costs	$ 2,469,596

AP Memory Technology Corporation

Statement of Manufacturing Expense

For the year ended on Dec. 31, 2023

Table 10 (In Thousands of New Taiwan Dollars)

Item	Amount
Outsourced processing fees	$ 334,205
Photomasks and probe cards fees	56,746
Indirect labor	42,974
Other (Note)	19,167
	$ 453,092

Note: Each item's balance does not exceed 5% of the total manufacturing expense.

AP Memory Technology Corporation

Statement of Operating Expense

For the year ended on Dec. 31, 2023

Table 11 (In Thousands of New Taiwan Dollars)

Item	Marketing expenses	Administrative expenses	Administrative expenses	Total
Salaries	$ 53,346	$ 87,889	$ 184,357	$ 325,592
Commissioned research fees	7,406	-	119,327	126,733
Photomasks and probe cards fees	-	-	63,361	63,361
Director compensation	-	11,301	-	11,301
Inventory transferred	-	-	28,593	28,593
Other (Note)	33,164	47,624	86,869	167,657
	$ 93,916	$ 146,814	$ 482,507	$ 723,237

Note: Each item's balance does not exceed 5% of the total operating expenses.

AP Memory Technology Corporation

Summary statement of current period employee benefits, depreciation and amortization expenses by function

For the Years Ended December 31, 2023, and December 31, 2022

Table 12 (In Thousands of New Taiwan Dollars)

	2023			2022		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefit expenses						
Salary expenses	$ 42,974	$ 325,592	$ 368,566	$ 47,287	$ 254,057	$ 301,344
Health and labor insurance fees	2,446	16,182	18,628	2,585	15,043	17,628
Pension expenses	1,355	8,638	9,993	1,352	7,752	9,104
Director compensation	-	11,301	11,301	-	10,782	10,782
Other employee benefit expenses	2,341	15,477	17,818	2,436	13,465	15,901
	$ 49,116	$ 377,190	$ 426,306	$ 53,660	$ 301,099	$ 354,759
Depreciation expenses	$ 42,477	$ 16,050	$ 58,527	$ 40,653	$ 13,344	$ 53,997
Amortization expenses	$ 105	$ 4,408	$ 4,513	$ 30	$ 2,761	$ 2,791

Notes:

1. The number of employees for this year and the previous year were 152 and 141, respectively, with 5 directors not serving as employees in both years.
2. For companies listed on the TWSE or traded OTC at the TPEx, the following information shall be disclosed:
   (1) The average employee benefit expense in 2023 was NT$2,823 thousand ("Total employee benefit expenses for the year - Total director compensation" / "Number of employees for the year - Number of directors not serving as employees").

   The average employee benefit expense in 2022 was NT$2,529 thousand ("Total employee benefit expenses for the previous year - Total director compensation" / "Number of employees for the previous year - Number of directors not serving as employees").

   (2) The average employee salary expense in 2023 was NT$2,507 thousand (Total salary expenses for the year / "Number of employees for the year - Number of directors not serving as employees").

   The average employee salary expense in 2022 was NT$2,216 thousand (Total salary expenses for the previous year / "Number of employees for the previous year - Number of directors not serving as employees").

   (3) The change in average salary expense is an increase of 13.13% ("This year's average salary expense - Last year's average salary expense" / Last year's average salary expense).

   (4) This year, the Audit Committee has taken over the role previously held by the supervisors, and as a result, there is no compensation for supervisors.

   (5) The performance assessment and compensation of directors, Audit Committee members, and managers refer to the usual levels in the industry, considering individual performance, company performance, and the reasonableness related to future risks.