AP Memory Technology Corporation

Parent Company Only Financial Statements for the Years Ended December 31, 2023, and 2022 and Independent Auditors' Report

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:

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

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	-

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	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

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	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:

	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$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 Assets	Foreign Currency	Exchange Rate	Book Amount
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.

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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)

Item	Amount	
	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.