

**APAQ TECHNOLOGY CO., LTD. and
Subsidiaries**

**Consolidated Financial Statements and
Independent Auditors' Review Report**

**For the Three Months Ended March 31,
2021 and 2020**

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Notice to Reader

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

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Independent Auditors' Review Report

To the Board of Directors of APAQ TECHNOLOGY CO., LTD.

Introduction

We have reviewed the accompanying consolidated balance sheets of APAQ TECHNOLOGY CO., LTD. and its subsidiaries (the "consolidated company") as of March 31, 2021 and 2020, the related consolidated statements of comprehensive income, changes in equity, and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard (IAS) 34 "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission (FSC). Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope

Except for matters described in the following paragraph titled "Basis for Qualified Conclusion," we conducted our reviews in accordance with the Statement of Auditing Standards 65 "Review of Financial Information Performed by the Independent Auditor of the Entity." A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Since a review is substantially less in scope than an audit, we might not be fully aware of all material matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note VI(V) of the consolidated financial statements, investments accounted for under the equity method of APAQ TECHNOLOGY CO., LTD. and subsidiaries amounted to NT\$76,697 thousand and NT\$45,513 thousand as of March 31, 2021 and 2020, respectively. The share of corporate profit recognized under the equity method were NT\$1,031 thousand and NT\$281 thousand for the three months then ended, respectively. Those amounts were recognized based on financial statements of the investees for the same period and have not been reviewed by independent auditors.

Except for possible effects from financial statements of these investees mentioned in the paragraph titled "Basis for Qualified Conclusion" if they were reviewed by independent auditors, we did not discover matters which would lead us to believe that the aforementioned consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of APAQ TECHNOLOGY CO., LTD. and its subsidiaries as of March 31, 2021 and 2020, and their consolidated financial performance and cash flows for the three months ended March 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34, "Interim Financial Reporting," endorsed and issued into effect by the Financial Supervisory Commission.

Certified public accountant:

May 7, 2021

Unit: NT\$ thousand

(See the attached notes to consolidated financial statements)

Accounting Manager: Pei-Ling Li

Reviewed Only, Not Audited in Accordance with
the Generally Accepted Auditing Standards in the Republic of China
APAQ TECHNOLOGY CO., LTD. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the three months ended March 31, 2021 and 2020

Unit: NT\$ thousand

| | | January to March, 2021 | | January to March, 2020 | |
|------|---|---------------------------|-----|---------------------------|-----|
| | | Amount | % | Amount | % |
| 4110 | Operating revenue, net [Notes VI(XVIII) & VII] | \$ 654,687 | 100 | 398,514 | 100 |
| 5110 | Operating costs [Notes VI(XIV), (XIX) & VII] | 479,587 | 73 | 318,496 | 80 |
| 5900 | Gross profit | 175,100 | 27 | 80,018 | 20 |
| 6000 | Operating expenses [Notes VI(XIV), (XIX) & VII] | | | | |
| 6100 | Selling expenses | 21,971 | 3 | 17,648 | 4 |
| 6200 | Administrative expenses | 39,050 | 6 | 31,361 | 8 |
| 6300 | Research and development expenses | 25,091 | 4 | 14,578 | 4 |
| | Total operating expenses | 86,112 | 13 | 63,587 | 16 |
| 6900 | Operating profit | 88,988 | 14 | 16,431 | 4 |
| 7000 | Non-operating income and expenses: | | | | |
| 7020 | Other gains and losses [Notes VI(XX)] | 4,695 | 1 | 13,800 | 3 |
| 7050 | Finance costs [Notes VI(XII), (XIII) & (XX)] | (3,406) | - | (5,416) | (1) |
| 7100 | Interest income [Notes VI(XX)] | 344 | - | 626 | - |
| 7230 | Foreign exchange gain or loss, net [Note VI(XXI)] | 1,883 | - | 6,399 | 2 |
| 7370 | Share of profit (loss) of associates accounted for under the equity method [Note VI(V)] | 1,031 | - | 281 | - |
| | Non-operating income and expenses, net | 4,547 | 1 | 15,690 | 4 |
| 7900 | Net profit before income tax | 93,535 | 15 | 32,121 | 8 |
| 7950 | Less: Income tax expense [Note VI(XV)] | 23,426 | 4 | 6,795 | 2 |
| | Net income for the period | 70,109 | 11 | 25,326 | 6 |
| 8300 | Other comprehensive income: | | | | |
| 8310 | Items that may not be reclassified subsequently to profit or loss | | | | |
| 8316 | Unrealized valuation gains (losses) from investments in equity instruments at fair value through other comprehensive income | 50,602 | 8 | (20,945) | (5) |
| | Total of items that may not be reclassified subsequently to profit or loss | 50,602 | 8 | (20,945) | (5) |
| 8360 | Items that may be reclassified subsequently to profit or loss | | | | |
| 8361 | Financial statements translation differences of foreign operations | (10,259) | (1) | (10,189) | (3) |
| 8399 | Less: Income tax related to items that may be reclassified [Note VI(XV)] | (2,052) | - | (2,038) | (1) |
| | Total of items that may be reclassified subsequently to profit or loss | (8,207) | (1) | (8,151) | (2) |
| 8300 | Other comprehensive income, net of tax | 42,395 | 7 | (29,096) | (7) |
| | Total comprehensive income | \$ 112,504 | 18 | (3,770) | (1) |
| | Earnings per share (Unit: NT\$) [Note VI(XVII)] | | | | |
| 9750 | Basic earnings per share | \$ 0.82 | | 0.30 | |
| 9850 | Diluted earnings per share | \$ 0.79 | | 0.29 | |

(See the attached notes to consolidated financial statements)

Chairman: Dr. DJ Zheng

Manager: Shi-Dong Lin

Accounting Manager: Pei-Ling Li

Reviewed Only, Not Audited in Accordance with
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APAQ TECHNOLOGY CO., LTD. and Subsidiaries
Consolidated Statements of Changes in Equity
For the three months ended March 31, 2021 and 2020

Unit: NT\$ thousand

| | Share capital | | | Retained earnings | | | | Other equity items | | | | |
|---|-------------------------------|------------------------------|----------------|-------------------|----------------|-----------------|-------------------------|--------------------|--|--|------------------|------------------|
| | Share capital - common stocks | Capital collected in advance | Total | Capital surplus | Legal reserve | Special reserve | Unappropriated earnings | Total | Financial statements translation differences of foreign operations | Gains (losses) on equity instruments investment at fair value through other comprehensive income | Total | Total equity |
| Balance as of January 1, 2020 | \$ 844,41 | 592 | 845,011 | 560,800 | 125,760 | 51,199 | 503,980 | 680,939 | (114,755) | (7,008) | (121,763) | 1,964,987 |
| Net income for the period | - | - | - | - | - | - | 25,326 | 25,326 | - | - | - | 25,326 |
| Other comprehensive income for the period | - | - | - | - | - | - | - | - | (8,151) | (20,945) | (29,096) | (29,096) |
| Total comprehensive income | - | - | - | - | - | - | 25,326 | 25,326 | (8,151) | (20,945) | (29,096) | (3,770) |
| Conversion of convertible corporate bonds | - | 237 | 237 | 562 | - | - | - | - | - | - | - | 799 |
| Balance as of March 31, 2020 | \$ 844,41 | 829 | 845,248 | 561,362 | 125,760 | 51,199 | 529,306 | 706,265 | (122,906) | (27,953) | (150,859) | 1,962,016 |
| Balance as of January 1, 2021 | \$ 845,24 | - | 845,248 | 561,362 | 139,955 | 121,763 | 596,311 | 858,029 | (86,471) | 1,170 | (85,301) | 2,179,338 |
| Net income for the period | - | - | - | - | - | - | 70,109 | 70,109 | - | - | - | 70,109 |
| Other comprehensive income for the period | - | - | - | - | - | - | - | - | (8,207) | 50,602 | 42,395 | 42,395 |
| Total comprehensive income | - | - | - | - | - | - | 70,109 | 70,109 | (8,207) | 50,602 | 42,395 | 112,504 |
| Conversion of convertible corporate bonds | - | 22,010 | 22,010 | 101,472 | - | - | - | - | - | - | - | 123,482 |
| Balance as of March 31, 2021 | \$ 845,24 | 22,010 | 867,258 | 662,834 | 139,955 | 121,763 | 666,420 | 928,138 | (94,678) | 51,772 | (42,906) | 2,415,324 |

(See the attached notes to consolidated financial statements)

Chairman: Dr. DJ Zheng

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APAQ TECHNOLOGY CO., LTD. and Subsidiaries
Consolidated Statements of Cash Flows
For the three months ended March 31, 2021 and 2020

Unit: NT\$ thousand

| | January to March, 2021 | January to March, 2020 |
|---|-----------------------------------|-----------------------------------|
| Cash flows from operating activities: | | |
| Income before income tax for the period | \$ 93,535 | 32,121 |
| Adjustments: | | |
| Income and expense items: | | |
| Depreciation | 51,350 | 52,270 |
| Amortization | 1,297 | 1,040 |
| Interest expense | 3,406 | 5,416 |
| Interest income | (344) | (626) |
| Share of corporate profit recognized under the equity method | (1,031) | (281) |
| Loss on disposal and obsolescence of property, plant and equipment | 406 | 19 |
| Other net expenses having no effect on cash flows | - | 152 |
| Total income and expense items | <u>55,084</u> | <u>57,990</u> |
| Changes in operating assets and liabilities: | | |
| Notes and accounts receivable (including related parties) | 26,861 | 118,715 |
| Inventories | 27,969 | 12,919 |
| Other operating assets | 7,849 | 3,054 |
| Accounts payable (including related parties) | (86,194) | (84,951) |
| Other operating liabilities | (3,834) | (1,557) |
| Total adjustments | <u>27,735</u> | <u>106,170</u> |
| Cash generated from operations | 121,270 | 138,291 |
| Interest received | 344 | 626 |
| Interest paid | (2,219) | (3,537) |
| Income tax paid | (41,323) | (9,755) |
| Net cash generated from operating activities | <u>78,072</u> | <u>125,625</u> |
| Cash flows from investing activities: | | |
| Acquisition of investments accounted for under the equity method | (30,000) | - |
| Proceeds from purchases of property, plant and equipment | (41,098) | (26,573) |
| Acquisition of intangible assets | (100) | (830) |
| Increase in other non-current assets | (338) | (408) |
| Increase in prepayments for business facilities | (38,357) | - |
| Net cash used in investing activities | <u>(109,893)</u> | <u>(27,811)</u> |
| Cash flows from financing activities: | | |
| Increase in short-term loans | 90,000 | 25,000 |
| Repayment of short-term loans | - | (50,000) |
| Repayment for bonds due | - | (1,300) |
| Repayment of lease principal | (2,349) | (2,024) |
| Net cash flows generated from (used in) financing activities | <u>87,651</u> | <u>(28,324)</u> |
| Effect of exchange rates on cash and cash equivalents | (1,535) | (3,263) |
| Increase in cash and cash equivalents | 54,295 | 66,227 |
| Cash and cash equivalents, beginning of the year | 683,514 | 700,953 |
| Cash and cash equivalents, end of the year | <u><u>\$ 737,809</u></u> | <u><u>767,180</u></u> |

(See the attached notes to consolidated financial statements)

Chairman: Dr. DJ Zheng

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Accounting Manager: Pei-Ling Li

Reviewed Only, Not Audited in Accordance with
the Generally Accepted Auditing Standards in the Republic of China
APAQ TECHNOLOGY CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements
For the Three Months Ended March 31, 2021 and 2020
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

I. Company History

APAQ TECHNOLOGY CO., LTD. (hereinafter referred to as the "Company") was established on December 23, 2005 with the registered address at 4F., No.2 and 6, Kedong 3rd Rd., Zhunan Township, Miaoli County. The Company's stock has been listed and traded at TWSE since December 9, 2014.

The core business of the Company and its subsidiaries (hereinafter referred to as the "consolidated company") focuses on the research, development, manufacturing and sales of electronic components.

II. Approval Date and Procedures of the Consolidated Financial Statements

The consolidated financial statements were approved and issued on May 7, 2021, by the Board of Directors.

III. Application of New and Amended Standards and Interpretations

- (I) Impact of adopting newly issued or amended standards and interpretations endorsed by the Financial Supervisory Commission

Since January 1, 2021, the consolidated company has adopted below newly amended IFRSs which does not have a material impact on the consolidated financial statements.

- Amendment to IFRS 4 "Defer the Effective Date of IFRS 9, Financial Instruments"
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"

- (II) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

The consolidated company has evaluated that the aforementioned amendments effective on April 1, 2021, do not have a material impact on the consolidated financial statements.

- Amendment to IFRS 16 "COVID-19-related Rent Concessions After June 30, 2021"

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

(III) Effect of IFRSs issued by IASB but not yet endorsed by the FSC

The standards and interpretations released and amended by the International Accounting Standards Board (hereinafter referred to as "IASB") but not yet endorsed by FSC with potential impact to the consolidated company are as follows:

| New or amended standards | Major amendments | Effective Date Issued by IASB |
|---|--|-------------------------------|
| Amendment to IAS 1 "Classification of Liabilities as Current or Non-Current" | The amendments are to promote consistency in applying the standards by helping companies determine whether debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due within one year) or non-current in the balance sheet. The amendments also clarify the classification rules for debts companies might settle by converting them into equity. | January 1, 2023 |
| Amendment to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract" | The amendments clarify that the costs incurred in fulfilling a contract should include the following costs that are directly related to the contract: <ul style="list-style-type: none"> • The incremental costs of fulfilling the contract - e.g., direct labor and raw materials; and • An allocation of other costs that relate directly to fulfilling the contracts - e.g., the allocation of depreciation expense of property, plant and equipment used in fulfilling the contract. | January 1, 2022 |

The consolidated company is in the process of evaluating the impact on its financial position and performance by adopting the standards and interpretations mentioned above, and will disclose relevant impacts when the evaluation is completed.

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

The consolidated company has evaluated that the below standards released and amended but not yet endorsed do not have a material impact on the consolidated financial statements.

Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
 IFRS 17 "Insurance Contracts" and Amendments to IAS 17
 Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"
 Annual Improvements to IFRSs 2018-2020 cycle-
 Amendment to IFRS 3 "Reference to the Conceptual Framework"
 Amendment to IAS 1 "Disclosure of Accounting Policies"
 Amendment to IAS 8 "Definition of Accounting Estimates"

IV. Summary of Significant Accounting Policies

(I) Statement of Compliance

The consolidated financial statements have been prepared in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as the "Preparation Regulations" and IAS 34 "Interim Financial Reporting" endorsed and issued into effect by the FSC. The consolidated financial statements did not contain all necessary information required in annual consolidated financial statements pursuant to IFRSs, IAS, IFRIC interpretations and SIC interpretations endorsed by the FSC (hereinafter referred to as "IFRSs endorsed by FSC").

Except for the following descriptions, the consolidated financial statements adopt the same accounting policies as the ones used in the consolidated financial statements for the year ended December 31, 2020. Please refer to Note IV of the consolidated financial statements for the year ended December 31, 2020 for details.

(II) Basis of consolidation

1. Subsidiaries included in the consolidated financial statements

| Name of investor | Name of subsidiary | Main business activities | Percentage of Ownership | | |
|------------------|---|---|-------------------------|------------|-----------|
| | | | 2021.3.31 | 2020.12.31 | 2020.3.31 |
| The Company | APAQ Investment Limited (APAQ Samoa) | Investment holding company | 100% | 100% | 100% |
| APAQ Samoa | Apaq Technology (Wuxi) Co., Ltd., (Apaq Wuxi) | Production and sales of electronic products | 100% | 100% | 100% |
| The Company | Apaq Technology (Hubei) Co., Ltd., (Apaq Hubei) | Production and sales of electronic products | 100% | 100% | 100% |

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

2. Subsidiaries not included in the consolidated financial statements: None.

(III) Income Tax

The consolidated company measured and disclosed the income tax expenses of the interim period pursuant to Paragraph B12, IAS 34 "Interim Financial Reporting."

Income tax expenses were accrued by applying management's best estimate of tax rate applicable based on expected total annual earnings to the pre-tax income of the interim period and fully recognized as income tax expense of the current period.

Income tax expenses recognized directly in equity or other comprehensive income were measured using the applicable tax rates at the time of expected realization or settlement of the temporary differences between the carrying amount of related assets and liabilities for financial reporting purposes and their tax bases.

V. Significant Accounting Judgments, Estimates and Key Sources of Uncertainty over Assumptions

When preparing the consolidated financial statements according to Preparation Regulations and IAS 34 "Interim Financial Reporting" endorsed by the FSC, the management has to make judgements, estimates and assumptions, which may influence the adoption of accounting policies, and the reporting amount of assets, liabilities, incomes and expenses. There may be differences between actual results and estimates.

When preparing the consolidated financial statements, significant accounting judgments, estimates and key sources of uncertainty made by the management for the adoption of the consolidated company's accounting policies are consistent with Note V of the consolidated financial statements for the year ended December 31, 2020.

VI. Details of Significant Accounts

Except for the following descriptions, the details of significant accounts in the consolidated financial statements are not materially different from the consolidated financial statements for the year ended December 31, 2020. Please refer to Note VI of the consolidated financial statements for the year ended December 31, 2020 for relevant information.

(I) Cash and cash equivalents

| | <u>2021.3.31</u> | <u>2020.12.31</u> | <u>2020.3.31</u> |
|---------------------------|--------------------------|-----------------------|-----------------------|
| Cash and demand deposit | \$ 694,385 | 639,866 | 724,520 |
| Time deposits | 43,424 | 43,648 | 42,660 |
| Cash and cash equivalents | <u><u>\$ 737,809</u></u> | <u><u>683,514</u></u> | <u><u>767,180</u></u> |

Please refer to Note VI(XXI) for disclosure of exchange rate risk of the financial assets and liabilities.

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

(II) Financial assets at fair value through other comprehensive income

1. Current:

| | <u>2021.3.31</u> | <u>2020.12.31</u> | <u>2020.3.31</u> |
|------------------------|-------------------|-------------------|------------------|
| Domestic listed stocks | \$ <u>186,516</u> | <u>138,474</u> | <u>125,522</u> |

2. Non-current:

| | <u>2021.3.31</u> | <u>2020.12.31</u> | <u>2020.3.31</u> |
|---|-------------------|-------------------|------------------|
| Domestic and foreign unlisted common stocks | | | |
| Foxfortune Technology Ventures Limited | \$ 52,531 | 52,996 | 40,288 |
| Inpaq Korea Co., Ltd. | 1,723 | 1,418 | 874 |
| Element I Venture Capital Co., Ltd. | 17,259 | 16,259 | 19,860 |
| Kuan Kun Electronic Enterprise Co., Ltd. | 59,391 | 57,725 | 49,247 |
| AICP Technology Corporation | 1,500 | 1,582 | 4,504 |
| Yuanxin Semiconductor Co., Limited | 7,100 | 6,964 | - |
| | \$ <u>139,504</u> | <u>136,944</u> | <u>114,773</u> |

Information on major foreign currency equity investments as of the reporting date is as follows:

| | 2021.3.31 | | | 2020.12.31 | | | 2020.3.31 | | |
|-----|---------------------|------------------|--------|---------------------|------------------|--------|---------------------|------------------|--------|
| | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD |
| USD | \$ 1,017 | 28.535 | 29,020 | 1,017 | 28.48 | 28,964 | 1,017 | 30.23 | 30,744 |

Equity instruments held by the consolidated company are strategic long-term investments and not held for trading purposes, so they have been designated to be measured at fair value through other comprehensive income.

(III) Notes and accounts receivable (including related parties)

| | <u>2021.3.31</u> | <u>2020.12.31</u> | <u>2020.3.31</u> |
|---------------------------------------|---------------------|-------------------|------------------|
| Notes receivable | \$ 30,004 | 51,034 | 72,920 |
| Accounts receivable | 966,908 | 984,323 | 682,951 |
| Accounts receivable - related parties | 33,005 | 25,406 | 19,183 |
| | \$ <u>1,029,917</u> | <u>1,060,763</u> | <u>775,054</u> |

The consolidated company adopts a simplified method to estimate the expected credit loss for all receivables (including related parties), that is, using the lifetime expected credit loss. For this purpose, these receivables are categorized based on common credit risk characteristics of customers' capability to pay for amount due in accordance with the contracts with forward-looking information incorporated, including general economic and related industry information. The expected credit losses of the consolidated company's receivables (including related parties) are analyzed as follows:

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

| | 2021.3.31 | | |
|-----------------------|---|--|---|
| | Carrying amount of accounts receivable (including related parties) | Ratio of loss on lifetime expected credit | Allowance of lifetime expected credit loss |
| Not past due | \$ 1,026,361 | 0% | - |
| Overdue for 1-90 days | 3,556 | 0% | - |
| Total | <u>\$ 1,029,917</u> | | <u>-</u> |

| | 2020.12.31 | | |
|-----------------------|---|--|---|
| | Carrying amount of accounts receivable (including related parties) | Ratio of loss on lifetime expected credit | Allowance of lifetime expected credit loss |
| Not past due | \$ 1,058,612 | 0% | - |
| Overdue for 1-90 days | 2,151 | 0% | - |
| Total | <u>\$ 1,060,763</u> | | <u>-</u> |

| | 2020.3.31 | | |
|-----------------------|---|--|---|
| | Carrying amount of accounts receivable (including related parties) | Ratio of loss on lifetime expected credit | Allowance of lifetime expected credit loss |
| Not past due | \$ 771,749 | 0% | - |
| Overdue for 1-90 days | 3,305 | 0% | - |
| Total | <u>\$ 775,054</u> | | <u>-</u> |

No impairment loss has been provided by the consolidated company for receivables (including related parties) for the three months ended March 31, 2021 and 2020.

(IV) Inventories, net

| | 2021.3.31 | 2020.12.31 | 2020.3.31 |
|--|--------------------------|-----------------------|-----------------------|
| Raw materials | \$ 212,835 | 194,351 | 149,200 |
| Work in process and semi-finished products | 64,879 | 61,212 | 59,994 |
| Finished goods and commodity | 236,696 | 288,804 | 166,665 |
| | <u>\$ 514,410</u> | <u>544,367</u> | <u>375,859</u> |

(V) Investments accounted for under the equity method

The consolidated company invested NTD30,000 thousand in AiPAQ Technology Co., Ltd. in January 2021 to obtain a 30% equity interest and thus obtained significant influence on the company.

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

The summary of financial information of the consolidated company's associates accounted for under the equity method is as follows and the amount is included in the consolidated financial statements of the consolidated company:

| | 2021.3.31 | 2020.12.31 | 2020.3.31 |
|---|------------------|---------------|---------------|
| The carrying amount of equity at the end of the period of individual non-significant associates | \$ <u>76,697</u> | <u>45,737</u> | <u>45,513</u> |

Share attributable to the consolidated company:

| | January to March, 2021 | January to March, 2020 |
|---|---------------------------|---------------------------|
| Net income for the period | \$ 1,031 | 281 |
| Other comprehensive income for the period | - | - |
| Total comprehensive income | <u>\$ 1,031</u> | <u>281</u> |

The consolidated company's share of profit or loss and other comprehensive income of investments accounted for under the equity method is measured based on the financial statements not reviewed by the CPAs as it is not individually material.

(VI) Property, plant and equipment (PP&E)

| | Buildings | Machinery and equipment | Other equipment and others | Construction in progress and equipment to be tested | Total |
|-------------------------------|-------------------|-------------------------------|----------------------------------|---|------------------|
| Cost: | | | | | |
| Balance as of January 1, 2021 | \$ 363,157 | 1,604,911 | 130,737 | 131,927 | 2,230,732 |
| Addition | 4,113 | 21,423 | 3,150 | 40,697 | 69,383 |
| Disposals and obsolescence | - | (3,095) | (906) | - | (4,001) |
| Reclassification | 8,860 | 28,891 | 68 | (37,871) | (52) |
| Effect of Exchange Rate | (1,877) | (7,903) | (419) | (657) | (10,856) |
| Balance as of March 31, 2021 | <u>\$ 374,253</u> | <u>1,644,227</u> | <u>132,630</u> | <u>134,096</u> | <u>2,285,206</u> |
| Balance as of January 1, 2020 | \$ 353,940 | 1,489,109 | 114,134 | 52,619 | 2,009,802 |
| Addition | - | 2,556 | 2,292 | 22,458 | 27,306 |
| Disposals and obsolescence | - | (120) | (173) | - | (293) |
| Reclassification | - | 17,696 | (11,529) | (6,319) | (152) |
| Effect of Exchange Rate | (2,593) | (10,472) | (427) | (695) | (14,187) |
| Balance as of March 31, 2020 | <u>\$ 351,347</u> | <u>1,498,769</u> | <u>104,297</u> | <u>68,063</u> | <u>2,022,476</u> |
| Depreciation: | | | | | |
| Balance as of January 1, 2021 | \$ 140,357 | 834,470 | 72,578 | - | 1,047,405 |
| Depreciation for the period | 6,569 | 36,806 | 5,543 | - | 48,918 |
| Disposals and obsolescence | - | (2,797) | (798) | - | (3,595) |
| Effect of Exchange Rate | (723) | (4,232) | (220) | - | (5,175) |
| Balance as of March 31, 2021 | <u>\$ 146,203</u> | <u>864,247</u> | <u>77,103</u> | <u>-</u> | <u>1,087,553</u> |
| Balance as of January 1, 2020 | \$ 113,230 | 666,892 | 53,484 | - | 833,606 |
| Depreciation for the period | 6,240 | 39,835 | 4,014 | - | 50,089 |
| Disposals and obsolescence | - | (120) | (154) | - | (274) |
| Effect of Exchange Rate | (934) | (5,481) | (257) | - | (6,672) |
| Balance as of March 31, 2020 | <u>\$ 118,536</u> | <u>701,126</u> | <u>57,087</u> | <u>-</u> | <u>876,749</u> |
| Carrying Amount: | | | | | |
| January 1, 2021 | <u>\$ 222,800</u> | <u>770,441</u> | <u>58,159</u> | <u>131,927</u> | <u>1,183,327</u> |
| March 31, 2021 | <u>\$ 228,050</u> | <u>779,980</u> | <u>55,527</u> | <u>134,096</u> | <u>1,197,653</u> |
| March 31, 2020 | <u>\$ 232,811</u> | <u>797,643</u> | <u>47,210</u> | <u>68,063</u> | <u>1,145,727</u> |

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

(VII) Right-of-use assets

| | Land use rights | Buildings | Transport ation equipment | Total |
|--|----------------------------|----------------------|--|----------------------|
| Cost of right-of-use assets: | | | | |
| Balance as of January 1, 2021 | \$ 11,678 | 39,940 | 1,082 | 52,700 |
| Effect of exchange rate changes | (60) | - | - | (60) |
| Balance as of March 31, 2021 | <u>\$ 11,618</u> | <u>39,940</u> | <u>1,082</u> | <u>52,640</u> |
| Balance as of January 1, 2020 | \$ 11,497 | 24,497 | 1,082 | 37,076 |
| Addition | - | 15,382 | - | 15,382 |
| Effect of exchange rate changes | (83) | - | - | (83) |
| Balance as of March 31, 2020 | <u>\$ 11,414</u> | <u>39,879</u> | <u>1,082</u> | <u>52,375</u> |
| Accumulated depreciation of right-of-use assets: | | | | |
| Balance as of January 1, 2021 | \$ 578 | 13,529 | 966 | 15,073 |
| Provision for depreciation | 72 | 2,244 | 116 | 2,432 |
| Effect of exchange rate changes | (2) | - | - | (2) |
| Balance as of March 31, 2021 | <u>\$ 648</u> | <u>15,773</u> | <u>1,082</u> | <u>17,503</u> |
| Balance as of January 1, 2020 | \$ 284 | 5,342 | 483 | 6,109 |
| Provision for depreciation | 72 | 1,988 | 121 | 2,181 |
| Effect of exchange rate changes | (3) | - | - | (3) |
| Balance as of March 31, 2020 | <u>\$ 353</u> | <u>7,330</u> | <u>604</u> | <u>8,287</u> |
| Carrying Amount: | | | | |
| January 1, 2021 | <u>\$ 11,100</u> | <u>26,411</u> | <u>116</u> | <u>37,627</u> |
| March 31, 2021 | <u>\$ 10,970</u> | <u>24,167</u> | <u>-</u> | <u>35,137</u> |
| March 31, 2020 | <u>\$ 11,061</u> | <u>32,549</u> | <u>478</u> | <u>44,088</u> |

(VIII) Other financial assets - non-current

| | 2021.3.31 | 2020.12.31 | 2020.3.31 |
|---------------------|-------------------------|----------------------|----------------------|
| Refundable deposits | <u>\$ 26,239</u> | <u>26,351</u> | <u>25,852</u> |

(IX) Other assets - current and non-current

| | 2021.3.31 | 2020.12.31 | 2020.3.31 |
|---|--------------------------|----------------------|----------------------|
| Prepayments for business facilities | \$ 53,499 | 30,104 | 5,632 |
| Credits of business tax and incremental value tax | 25,213 | 38,012 | 9,971 |
| Prepaid expenses | 29,282 | 24,971 | 17,029 |
| Prepayments for goods and others | 4,445 | 3,751 | 2,632 |
| | <u>\$ 112,439</u> | <u>96,838</u> | <u>35,264</u> |

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

(X) Intangible assets

| | Computer software | Royalty fees | Total |
|-----------------|----------------------|-----------------|--------|
| January 1, 2021 | \$ 3,643 | 33,153 | 36,796 |
| March 31, 2021 | \$ 3,381 | 32,215 | 35,596 |
| March 31, 2020 | \$ 1,080 | 35,968 | 37,048 |

There were no material additions, disposals, provision or reversal of impairment where the consolidated company's intangible assets were concerned for the three months ended March 31, 2021 and 2020. Please refer to Note XII for amortization amount for the period and Note VI(X) of the consolidated financial statements for the year ended December 31, 2020 for other relevant information.

(XI) Short-term loans

| | 2021.3.31 | 2020.12.31 | 2020.3.31 |
|----------------------|-----------------|-----------------|--------------------|
| Unsecured bank loans | \$ 955,000 | 865,000 | 901,800 |
| Unused limit | \$ 891,116 | 981,352 | 600,900 |
| Interest rate range | 0.88%~ 1.03% | 0.88%~ 1.03% | 1.07%~ 3.17628% |

(XII) Convertible bonds payable

1. The Company issued the first domestic unsecured convertible corporate bonds on March 1, 2017. The issuance period is three years. Relevant information in the financial statements is as follows:

| | 2021.3.31 | 2020.12.31 | 2020.3.31 |
|--|------------|---------------------------|---------------------------|
| Total amount of convertible corporate bonds issued | \$ 300,000 | 300,000 | 300,000 |
| Less: accumulated converted ordinary shares | (298,700) | (298,700) | (298,700) |
| Less: Repayment upon maturity | (1,300) | (1,300) | (1,300) |
| Balance of bonds payable at the end of the period | \$ - | - | - |
| | | January to March, 2021 | January to March, 2020 |
| Interest expense | | \$ - | 3 |

The Company's first unsecured convertible corporate bonds matured on March 1, 2020, and the TPEx trading was terminated on the business day following the maturity date. According to Article 6 of the Company's issuance and conversion rules, the Company will make a one-time cash redemption payment based on the remaining face value of the bonds upon maturity.

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

The conversion price of the first-time issuance of unsecured convertible corporate bonds was NT\$33.8 on March 31, 2020 (the maturity date).

Between January 1, 2020 to March 1, 2020 (maturity date), a nominal amount of NT\$799 thousand unsecured convertible corporate bonds were applied to be converted to 23 thousand common stocks. Net capital surplus increased by NT\$562 thousand due to the conversion.

2. The Company issued the second domestic unsecured convertible corporate bonds on April 27, 2018. The issuance period is three years. Relevant information in the financial statements is as follows:

| | <u>2021.3.31</u> | <u>2020.12.31</u> | <u>2020.3.31</u> |
|--|--------------------|-------------------|-----------------------|
| Total amount of convertible corporate bonds issued | \$ 250,000 | 250,000 | 250,000 |
| Less: Unamortized bonds payable discount | - | (1,324) | (5,273) |
| Less: accumulated converted ordinary shares | (123,700) | - | - |
| Less: long-term liabilities due within one year | <u>(126,300)</u> | <u>(248,676)</u> | <u>-</u> |
| Balance of bonds payable at the end of the period | <u><u>\$ -</u></u> | <u><u>-</u></u> | <u><u>244,727</u></u> |

| | <u>January to March, 2021</u> | <u>January to March, 2020</u> |
|------------------|-----------------------------------|-----------------------------------|
| Interest expense | <u><u>\$ 1,107</u></u> | <u><u>1,304</u></u> |

The Company's second unsecured convertible corporate bonds will be matured on April 27, 2021, and the TPEx trading was terminated on the business day following the maturity date. According to Article 6 of the Company's issuance and conversion rules, the Company will make a one-time cash redemption payment based on the remaining face value of the bonds upon maturity.

The conversion prices were NT\$56.2 and NT\$58.0 on March 31, 2021 and 2020, respectively.

For the three months ended March 31, 2021, a nominal amount of NT\$123,482 thousand unsecured convertible corporate bonds were applied to be converted to 2,201 thousand common stocks. Net capital surplus increased by NT\$101,472 thousand due to the conversion.

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

The redemption rights of embedded derivatives of unsecured convertible corporate bonds were recognized by the Company as financial assets at fair value through profit or loss - current both amounted for NT\$0 as of March 31, 2021, December 31 and March 31, 2020.-

(XIII) Lease liabilities

The carrying amount of the consolidated company's lease liabilities is as follows:

| | 2021.3.31 | 2020.12.31 | 2020.3.31 |
|-------------|------------------|-------------------|------------------|
| Current | <u>\$ 8,849</u> | <u>9,001</u> | <u>9,074</u> |
| Non-current | <u>\$ 15,585</u> | <u>17,782</u> | <u>24,136</u> |

For maturity analysis, please refer to Note VI(XXI) Financial instruments.

The amount recognized in profit or loss is as follows:

| | January to March, 2021 | January to March, 2020 |
|--|-----------------------------------|-----------------------------------|
| Interest expense of lease liabilities | <u>\$ 75</u> | <u>85</u> |
| Expense for leases of low-value assets | <u>\$ 18</u> | <u>18</u> |

The amounts recognized in the statements of cash flows are:

| | January to March, 2021 | January to March, 2020 |
|------------------------------|-----------------------------------|-----------------------------------|
| Total cash outflow for lease | <u>\$ 2,442</u> | <u>2,127</u> |

1. Leasing of houses and buildings

The consolidated company leased houses and buildings as office premises and factory buildings as of March 31, 2021 and 2020 with the period of 1 to 5 years. Some leases include the option to extend for the same period when the lease expires.

Some of the above-mentioned leases include the option to extend. These leases are managed by each region, so the individual terms and conditions agreed are different within the consolidated company. These options are only enforceable by the consolidated company, not the lessor. Where it is not possible to reasonably determine that the optional lease extension will be exercised, the payment related to the period covered by the option is not included in the lease liabilities.

2. Other leases

The lease period for leasing office premises of the consolidated company is two years. These leases are for low-value assets, and the consolidated company chooses to apply the exemption recognition requirement instead of recognizing the right-of-use assets and lease liabilities.

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

(XIV) Employee benefits

For pension expenses of the consolidated company for the three months ended March 31, 2021 and 2020, please refer to Note XII for details.

(XV) Income Tax

1. The amount of the consolidated company's income tax expenses was as follows:

| | January to March, 2021 | January to March, 2020 |
|-----------------------------|-----------------------------------|-----------------------------------|
| Current income tax expenses | <u>\$ 23,426</u> | <u>6,795</u> |

2. The amount of income tax expenses (benefits) recognized by the consolidated company in other comprehensive income was as follows:

| | January to March, 2021 | January to March, 2020 |
|---|-----------------------------------|-----------------------------------|
| Exchange differences on translation of foreign operations | <u>\$ (2,052)</u> | <u>(2,038)</u> |

3. The ROC income tax authorities have examined the Company's income tax returns through 2018.

(XVI) Capital and other equity

Except for the following descriptions, there was no significant change in the capital and other equity of the consolidated company for the three months ended March 31, 2021 and 2020. Please refer to Note VI(XVI) of the consolidated financial statements for the year ended December 31, 2020 for details.

1. Share capital

The reconciliation for outstanding shares is as follows (expressed in thousands of shares):

| | Ordinary shares | |
|---|-----------------------------------|-----------------------------------|
| | January to March, 2021 | January to March, 2020 |
| Balance as of January 1 | 84,525 | 84,502 |
| Conversion of convertible corporate bonds | <u>2,201</u> | <u>23</u> |
| Balance as of March 31 | <u>86,726</u> | <u>84,525</u> |

The Company issued new shares for the conversion of convertible corporate bonds for the three months ended March 31, 2021. 2,201 new shares among them had not yet to complete the statutory registration procedures, and were recognized as capital collected in advance of NT\$22,010 thousand as of March 31, 2021.

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

The Company issued 23 thousand new shares of common stocks for the conversion of convertible corporate bonds for the three months ended March 31, 2020 (the maturity date), amounted to NT\$237 thousand, and were recognized as capital collected in advance due to it had yet to complete the statutory registration procedures. As of December 31, 2020, the above-mentioned capital collected in advance has completed the related procedures and were transferred to Share capital - common stocks.

2. Capital surplus

| | <u>2021.3.31</u> | <u>2020.12.31</u> | <u>2020.3.31</u> |
|---|--------------------------|-----------------------|-----------------------|
| Share premium | \$ 320,766 | 320,766 | 320,766 |
| Compensation cost of shares retained for employee subscription at cash capital increase | 7,852 | 7,852 | 7,852 |
| Subscription right to corporate bonds | 6,039 | 11,890 | 11,890 |
| Treasury stock transactions | 3,642 | 3,642 | 3,642 |
| Premium from conversion of corporate bonds to common stocks | 324,535 | 217,212 | 217,212 |
| | <u><u>\$ 662,834</u></u> | <u><u>561,362</u></u> | <u><u>561,362</u></u> |

In accordance with the Company Act, the capital surplus generated from the premium of stock issuance and donation may only be used to offset accumulated deficits. The above-mentioned realized capital surplus includes amount in excess of the face amount during shares issuance and acceptance of bestowal. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers," the total of capital surplus appropriated for capital every year shall not exceed 10% of the paid-in capital.

3. Retained earnings

The appropriation of earnings of the two most recent years were resolved in the Board of Directors' meeting held on May 7, 2021 and approved in the shareholders' meeting held on June 17, 2020, respectively. Information on dividends appropriated to owners is as follows:

| | <u>2020</u> | | <u>2019</u> | |
|---|----------------------------|-----------------------|----------------------------|----------------------|
| | <u>Dividends per share</u> | <u>Amount</u> | <u>Dividends per share</u> | <u>Amount</u> |
| Dividends distributed to owners of ordinary shares: | | | | |
| Cash (NT\$) | \$ 1.9 | <u><u>169,012</u></u> | 1 | <u><u>84,525</u></u> |

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

The above 2019 appropriation of retained earnings is consistent with the resolutions approved by the Board of Directors. The 2020 appropriation of retained earnings is pending for a resolution at the shareholders' meeting. Information will be available at the Market Observation Post System (MOPS) after the meeting.

(XVII) Earnings per Share (EPS)

| | <u>January to March, 2021</u> | <u>January to March, 2020</u> |
|---|-----------------------------------|-----------------------------------|
| Basic EPS: | | |
| Net income attributable to the Company | <u>\$ 70,109</u> | <u>25,326</u> |
| Weighted average number of common stocks outstanding (in thousands of shares) | <u>85,210</u> | <u>84,523</u> |
| Basic EPS (NT\$) | <u>\$ 0.82</u> | <u>0.30</u> |
| Diluted EPS: | | |
| Net income attributable to the Company | \$ 70,109 | 25,326 |
| Post-tax interest on convertible corporate bonds | 886 | 1,045 |
| Net income attributable to share capital of common stocks | <u>\$ 70,995</u> | <u>26,371</u> |
| Weighted average number of common stocks outstanding (in thousands of shares) | 85,210 | 84,523 |
| Employee compensation to be distributed in stocks | 431 | 884 |
| Convertible corporate bonds | 3,764 | 4,311 |
| Weighted-average number of outstanding shares for the calculation of diluted EPS (in thousands of shares) | <u>89,405</u> | <u>89,718</u> |
| Diluted EPS (NT\$) | <u>\$ 0.79</u> | <u>0.29</u> |

(XVIII) Revenue of customer contract

| | <u>January to March, 2021</u> | <u>January to March, 2020</u> |
|--|-----------------------------------|-----------------------------------|
| Main geographical areas | | |
| China | \$ 617,645 | 384,231 |
| Taiwan | 36,641 | 13,610 |
| Other Countries | 401 | 673 |
| | <u>\$ 654,687</u> | <u>398,514</u> |
| Major products | | |
| Coiled conductive polymer solid state capacitors | \$ 548,537 | 356,506 |
| Chip-type conductive polymer solid state capacitors | 106,150 | 42,008 |
| | <u>\$ 654,687</u> | <u>398,514</u> |

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

(XIX) Employee compensations and remuneration for Directors

The Company's Articles of Incorporation provide that if there is profit in the year, at least 8 percent of profit shall be allocated for employee compensation, and no more than 3 percent shall be allocated for remunerations of the Directors. However, if the Company has accumulated losses, it shall reserve a portion of the profit to offset the losses in advance. Parties eligible to receive the said compensation in the form of stock or cash shall include employees in affiliated companies who met certain conditions.

The Company accrued NT\$8,450 thousand and NT\$3,015 thousand as employee compensation and NT\$2,485 thousand and NT\$887 thousand as remuneration for Directors for the three months ended March 31, 2021 and 2020, respectively. These amounts were calculated using the Company's income before income tax before deducting for employee compensation and remuneration for Directors multiplied by the percentages which are stated under the Company's Article of Incorporation. The amounts were recognized as operating costs or operating expenses for the periods. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing price of the common stocks on the day preceding the Board of Directors' meeting.

The amounts allocated for remunerations to employees and Directors for the year ended December 31, 2020 were NT\$28,528 thousand and NT\$8,391 thousand respectively, which bear no difference from the Board's resolutions. Relevant information can be found at the MOPS.

(XX) Non-operating income and expenses

1. Interest income

| | January to March, 2021 | January to March, 2020 |
|----------------------------|---------------------------|---------------------------|
| Interests on bank deposits | \$ 340 | 625 |
| Other interest income | 4 | 1 |
| | <u>\$ 344</u> | <u>626</u> |

2. Other gains and losses, net

| | January to March, 2021 | January to March, 2020 |
|---|---------------------------|---------------------------|
| Subsidy income | \$ 4,466 | 13,099 |
| Gains (losses) on disposal of property, plant and equipment | (406) | (19) |
| Other | 635 | 720 |
| Other gains and losses, net | <u>\$ 4,695</u> | <u>13,800</u> |

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

3. Finance costs

| | January to March, 2021 | January to March, 2020 |
|---------------------------------------|---------------------------|---------------------------|
| Interest expenses of corporate bonds | \$ 1,107 | 1,307 |
| Interest expenses of loans | 2,224 | 4,024 |
| Interest expense of lease liabilities | 75 | 85 |
| | <u>\$ 3,406</u> | <u>5,416</u> |

(XXI) Financial instruments

Except for the following descriptions, there has been no significant changes in the fair value of the consolidated company's financial instruments and the exposure to credit risk, liquidity risk and market risk arising from the financial instruments. Please refer to Note VI(XXI) of the consolidated financial statements for relevant information.

1. Credit risk

(1) Credit risk concentration

The consolidated company's customers are concentrated in industries such as consumer electronics, computer peripherals and wireless communication and so on. To reduce the credit risk of the accounts receivable, the consolidated company continuously assesses the customers' financial position and regularly evaluates the possibility of the collection of accounts receivable, as well as making allowances for loss. As of March 31, 2021, December 31 and March 31, 2020, 46%, 48%, and 50%, respectively, of the consolidated company's accounts receivables were due from five customers, respectively, resulting in significant credit risk concentration.

(2) Credit risk of accounts receivable and debt securities

Please refer to Note VI(III) for credit risk exposure of accounts receivable.

Other financial assets at amortized cost included other receivables and time deposits. No impairment loss was recognized.

The above-mentioned financial assets have low credit risk, so the allowance loss of that period is measured based on twelve-month expected credit loss (please refer to Note IV(VII) of the consolidated financial statements for the year ended December 31, 2020 for details on how the consolidated company determines the level of credit risk).

2. Liquidity risk

The following table shows the contractual maturity analysis of financial liabilities (including the impact of interest payable):

**Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its
Subsidiaries (Continued)**

| | <u>Carrying Amount</u> | <u>Contract Cash Flow</u> | <u>Less than 6 months</u> | <u>6-12 months-</u> | <u>More than 12 months</u> |
|---|----------------------------|-----------------------------------|-------------------------------|-------------------------|------------------------------------|
| March 31, 2021 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Short-term loans | \$ 955,000 | 956,424 | 956,424 | - | - |
| Accounts payable (including related parties) | 343,925 | 343,925 | 343,925 | - | - |
| Payroll and bonus payable | 98,654 | 98,654 | 98,654 | - | - |
| Payable on equipment | 37,331 | 37,331 | 37,331 | - | - |
| Lease liabilities (including current and non-current) | 24,434 | 24,895 | 4,592 | 4,492 | 15,811 |
| | <u>\$ 1,459,344</u> | <u>1,461,229</u> | <u>1,440,926</u> | <u>4,492</u> | <u>15,811</u> |

December 31, 2020

| | | | | | |
|---|----------------------------|-------------------------|-------------------------|---------------------|----------------------|
| Non-derivative financial liabilities | | | | | |
| Short-term loans | \$ 865,000 | 866,126 | 866,126 | - | - |
| Accounts payable (including related parties) | 433,049 | 433,049 | 433,049 | - | - |
| Payroll and bonus payable | 114,188 | 114,188 | 114,188 | - | - |
| Payable on equipment | 24,001 | 24,001 | 24,001 | - | - |
| Lease liabilities (including current and non-current) | 26,783 | 27,319 | 4,730 | 4,532 | 18,057 |
| | <u>\$ 1,463,021</u> | <u>1,464,683</u> | <u>1,442,094</u> | <u>4,532</u> | <u>18,057</u> |

March 31, 2020

| | | | | | |
|---|----------------------------|-------------------------|-------------------------|----------------------|----------------------|
| Non-derivative financial liabilities | | | | | |
| Short-term loans | \$ 901,800 | 903,303 | 903,303 | - | - |
| Accounts payable (including related parties) | 225,967 | 225,967 | 225,967 | - | - |
| Payable on equipment | 13,237 | 13,237 | 5,594 | 6,963 | 680 |
| Lease liabilities (including current and non-current) | 33,210 | 34,003 | 4,706 | 4,702 | 24,595 |
| | <u>\$ 1,174,214</u> | <u>1,176,510</u> | <u>1,139,570</u> | <u>11,665</u> | <u>25,275</u> |

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

3. Exchange rate risk

(1) Exchange rate risk exposure

The consolidated company's financial assets and liabilities exposed to material exchange rate risk were as follows:

| | | | 2021.3.31 | | | 2020.12.31 | | | 2020.3.31 | | |
|------------------------------|-------------------------|--------|----------------------|------------|--------|-------------------------|----------------------|------------|-------------------------|----------------------|------------|
| | Foreign currency | | Exchange rate | NTD | | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD |
| <u>Financial assets</u> | | | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | | | |
| USD | \$ | 41,201 | 28.535 | 1,175,671 | 40,494 | 28.48 | 1,153,269 | 36,335 | 30.225 | 1,098,225 | |
| RMB | | 55,332 | 4.3424 | 240,274 | 45,670 | 4.3648 | 199,340 | 36,742 | 4.266 | 156,741 | |
| <u>Financial liabilities</u> | | | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | | | |
| USD | | 2,524 | 28.535 | 72,022 | 1,638 | 28.48 | 46,650 | 8,585 | 30.225 | 259,482 | |

(2) Sensitivity analysis

The consolidated company's exposure to foreign currency risk mainly arises from the foreign exchange gains and losses on cash, receivables, accounts payable, and other payables that are denominated in USD and RMB. Changes in net income for the three months ended March 31, 2021 and 2020 due to depreciation or appreciation of NTD against USD and RMB as of March 31, 2021 and 2020 with all other variables held constant were as follows:

| | Fluctuation | January to March, 2021 | January to March, 2020 |
|-------------------|-----------------------------|-------------------------------|-------------------------------|
| TWD exchange rate | 1% depreciation against USD | <u>\$ 8,829</u> | <u>6,710</u> |
| | 1% appreciation against USD | <u>\$ (8,829)</u> | <u>(6,710)</u> |
| TWD exchange rate | 1% depreciation against RMB | <u>\$ 1,922</u> | <u>1,254</u> |
| | 1% appreciation against RMB | <u>\$ (1,922)</u> | <u>(1,254)</u> |

(3) Exchange gain/loss of monetary items

As the consolidated company has a large variety of functional currencies, the exchange gains and losses of monetary items were disclosed on an aggregated basis. The foreign exchange gains (including realized and unrealized) for the three months ended March 31, 2021 and 2020 were NT\$1,883 thousand and NT\$6,399 thousand, respectively.

4. Interest rate analysis

The interest rate risk exposure of financial assets and financial liabilities of the consolidated company is described in the liquidity risk management of the Notes.

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

The following sensitivity analysis is determined by the interest rate risk exposure of non-derivative instruments on the reporting date. For liabilities with floating interest rates, the analysis is based on the assumption that the outstanding liabilities on the reporting date have been outstanding all year round. Changes in other comprehensive income for the three months ended March 31, 2021 and 2020 due to changes in interest rate with all other variables held constant were as follows:

| | <u>Fluctuation</u> | <u>January to March, 2021</u> | <u>January to March, 2020</u> |
|-----------------------|--------------------|-----------------------------------|-----------------------------------|
| Annual borrowing rate | Increase by 1% | <u>\$ (1,910)</u> | <u>(1,804)</u> |
| | Decrease by 1% | <u>\$ 1,910</u> | <u>1,804</u> |

5. Other price risk

If the price of equity securities changes on the reporting date (adopt the same basis of analysis for both periods, with the assumption that other variable factors remain unchanged), the impact on comprehensive income items were as follows:

| | <u>January to March, 2021</u> | | <u>January to March, 2020</u> | |
|---|---|--|---|--|
| <u>Prices of securities at the reporting date</u> | <u>Other comprehensive income, net of tax</u> | <u>Net income for the period</u> | <u>Other comprehensive income, net of tax</u> | <u>Net income for the period</u> |
| Increase by 1% | \$ 3,260 | - | 2,403 | - |
| Decrease by 1% | (3,260) | - | (2,403) | - |

6. Fair value and information

(1) Type and fair value of financial instruments

The consolidated company's financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis. The carrying amount and fair value of financial assets and liabilities in each category (including information of fair value hierarchy; however, the fair value of financial instruments not at fair value and whose carrying amounts are reasonable approximations of their fair value and the lease liabilities were not required to be disclosed) were as follows:

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

| 2021.3.31 | | | | | |
|---|-----------------|------------|---------|---------|---------|
| | | Fair Value | | | |
| | Carrying Amount | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through other comprehensive income - current | | | | | |
| Domestic listed stocks | \$ 186,516 | 186,516 | - | - | 186,516 |
| Financial assets at fair value through other comprehensive income - non-current | | | | | |
| Domestic unlisted stocks | \$ 139,504 | - | - | 139,504 | 139,504 |
| Convertible corporate bonds payable (including bonds due within one year) | \$ 126,300 | 150,689 | - | - | 150,689 |
| 2020.12.31 | | | | | |
| | | Fair Value | | | |
| | Carrying Amount | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through other comprehensive income - current | | | | | |
| Domestic listed stocks | \$ 138,474 | 138,474 | - | - | 138,474 |
| Financial assets at fair value through other comprehensive income - non-current | | | | | |
| Domestic unlisted stocks | \$ 136,944 | - | - | 136,944 | 136,944 |
| Convertible corporate bonds payable (including bonds due within one year) | \$ 248,676 | 278,400 | - | - | 278,400 |
| 2020.3.31 | | | | | |
| | | Fair Value | | | |
| | Carrying Amount | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through other comprehensive income - current | | | | | |
| Domestic listed stocks | \$ 125,522 | 125,522 | - | - | 125,522 |
| Financial assets at fair value through other comprehensive income - non-current | | | | | |
| Domestic unlisted stocks | \$ 114,773 | - | - | 114,773 | 114,773 |
| Convertible corporate bonds payable (including bonds due within one year) | \$ 244,727 | 249,750 | - | - | 249,750 |

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

(2) Fair value valuation technique of financial instruments not at fair value

The methods and assumptions adopted by the consolidated company for valuating instruments not at fair value were as follows:

For financial assets at amortized cost, if transaction prices or quotes from market maker are available, the latest transaction price and quotes shall be the basis for fair value measurement. If market values are not available, valuation method would be adopted. Estimations and assumptions adopted in the valuation method are that to measure fair value at discounted cash flows.

(3) Fair value valuation technique of financial instruments at fair value

The redemption rights of embedded derivatives are based on an appropriate option pricing model.

(4) Transfers between Level 1 and Level 2 fair value hierarchy: None.

(5) Details of changes in Level 3 fair value hierarchy:

| | Financial assets at fair value through other comprehensive income - investments in equity instruments without an active market |
|---|---|
| Balance as of January 1, 2021 | \$ 136,944 |
| Total gains or losses | |
| Recognized in other comprehensive profit and loss | 2,560 |
| Balance as of March 31, 2021 | <u>\$ 139,504</u> |
| Balance as of January 1, 2020 | \$ 117,349 |
| Total gains or losses | |
| Recognized in other comprehensive profit and loss | (2,576) |
| Balance as of March 31, 2020 | <u>\$ 114,773</u> |

The aforementioned total gains or losses are recognized under "unrealized valuation gains (losses) from investments in equity instruments at fair value through other comprehensive income." As of March 31, 2021 and 2020, gains on assets amounted to NT\$24,504 thousand and NT\$5,773 thousand, respectively.

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

(6) Quantitative information for fair value measurement of significant unobservable inputs (level 3)

The consolidated company classified financial assets at fair value through other comprehensive income - non-current as level 3. It had multiple significant unobservable inputs which were independent from each other; therefore, there is no correlation between them. The quantitative information of significant unobservable inputs was as follows:

| Item | Valuation technique | Significant unobservable inputs | Relationship between significant unobservable inputs and fair value measurement |
|--|------------------------|--|---|
| Financial assets at fair value through other comprehensive income - non-current (investments in equity instruments without an active market) | Net asset value method | <ul style="list-style-type: none"> • Net asset value • Marketability discount (10% and 20% for March 31, 2021, December 31, 2020 and March 31, 2020) | <ul style="list-style-type: none"> • N/A • The higher the marketability discount, the lower the fair value. |
| Financial assets at fair value through other comprehensive income - non-current (investments in equity instruments without an active market) | Market approach | <ul style="list-style-type: none"> • Price-book ratio (3.39 for March 31, 2020) • Marketability discount (25% for March 31, 2020) | <ul style="list-style-type: none"> • The higher the price-book ratio, the higher the fair value. • The higher the marketability discount, the lower the fair value. |

(XXII) Financial risk management

There were no significant changes in the objectives and policies of the consolidated company's financial risk management comparing to those disclosed in Note VI(XXII) of the consolidated financial statements for the year ended December 31, 2020.

(XXIII) Capital management

The consolidated company's capital management objectives, policies and procedures were consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2020. In addition, there were no significant changes in the aggregate quantitative information of capital management items comparing to the information disclosed in the consolidated financial statements for the year ended December 31, 2020. For relevant information, please refer to Note VI(XXIII) of the consolidated financial statements for the year ended December 31, 2020.

(XXIV) Non-cash financing activities

The consolidated company's non-cash investing and financing activities for the three months ended March 31, 2021 and 2020 were as follows:

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

1. For non-cash investing and financing activities where convertible corporate bonds were converted into common stocks, please refer to Note VI(XII) for details.
2. For right-of-use assets obtained via leases, please refer to Note VI(VII).
3. Reconciliation of liabilities from financing activities was as follows:

| | <u>2021.1.1</u> | <u>Cash flow</u> | <u>Non-cash changes</u> | | <u>2021.3.31</u> |
|--|---------------------|------------------|--------------------------------|----------------------|------------------|
| | | | <u>Change in exchange rate</u> | <u>Other changes</u> | |
| Short-term loans | \$ 865,000 | 90,000 | - | - | 955,000 |
| Second issuance of convertible corporate bonds | 248,676 | - | - | (122,376) | 126,300 |
| Lease liabilities | 26,783 | (2,349) | - | - | 24,434 |
| | <u>\$ 1,140,459</u> | <u>87,651</u> | <u>-</u> | <u>(122,376)</u> | <u>1,105,734</u> |

| | <u>2020.1.1</u> | <u>Cash flow</u> | <u>Non-cash changes</u> | | <u>2020.3.31</u> |
|--|---------------------|------------------|--------------------------------|----------------------|------------------|
| | | | <u>Change in exchange rate</u> | <u>Other changes</u> | |
| Short-term loans | \$ 924,840 | (25,000) | 1,960 | - | 901,800 |
| First issuance of convertible corporate bonds | 2,095 | (1,300) | - | (795) | - |
| Second issuance of convertible corporate bonds | 243,423 | - | - | 1,304 | 244,727 |
| Lease liabilities | 19,852 | (2,024) | - | 15,382 | 33,210 |
| | <u>\$ 1,190,210</u> | <u>(28,324)</u> | <u>1,960</u> | <u>15,891</u> | <u>1,179,737</u> |

VII. Related Party Transactions

(I) Related parties' name and relationships

| <u>Name of related party</u> | <u>Relationship with the consolidated company</u> |
|---|---|
| Shenzhen Gather Electronics Science Co., Ltd. | An associate to the consolidated company |
| INPAQ Technology Co., Ltd. | Key management of the consolidated company |

(II) Significant transactions with related parties

1. Operating revenue

| | <u>January to March, 2021</u> | <u>January to March, 2020</u> |
|---|-------------------------------|-------------------------------|
| Shenzhen Gather Electronics Science Co., Ltd. | <u>\$ 11,883</u> | <u>7,532</u> |

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

The consolidated company's sales price to related parties and non-related parties is determined by the specifications of the products being sold, and some products are given discounts of varying degrees depending on the quantity sold. Therefore, the price to related parties and non-related parties is not significantly different. The credit terms of related parties are 120 days from end of month. The credit terms of general customers are determined by the individual client's past transaction experience and the results of credit evaluation and they range between 60 to 150 days from end of month.

2. Purchases

| | January to March, 2021 | January to March, 2020 |
|---|---------------------------|---------------------------|
| Shenzhen Gather Electronics Science Co., Ltd. | <u>\$ 1,823</u> | <u>1,022</u> |

The consolidated company's purchase price from related parties is based on the general market price. The payment terms are 30 to 90 days from end of month for general suppliers, and 120 days from end of month for related parties.

3. Receivables from related parties

| Financial Statement Account | Category of related parties | 2021.3.31 | 2020.12.31 | 2020.3.31 |
|-----------------------------------|---|------------------|---------------|---------------|
| Accounts receivable | Shenzhen Gather Electronics Science Co., Ltd. | <u>\$ 32,739</u> | <u>24,709</u> | <u>19,183</u> |

4. Payables to related parties

| Financial Statement Account | Category of related parties | 2021.3.31 | 2020.12.31 | 2020.3.31 |
|-----------------------------------|---|-----------------|--------------|--------------|
| Accounts payable | Shenzhen Gather Electronics Science Co., Ltd. | <u>\$ 3,165</u> | <u>2,319</u> | <u>2,333</u> |

5. Other transactions

The consolidated company engaged in service contracts associated with winding machines with related parties. Service income generated were NT\$632 thousand and NT\$0 thousand for the three months ended March 31, 2021 and 2020, respectively. As of March 31, 2021, December 31 and March 31, 2020, receivables from related parties from the above transactions amounted to NT\$266 thousand, NT\$697 thousand, and NT\$0 thousand, respectively.

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

(III) Major managerial personnel transactions

Remuneration of major managerial personnel includes:

| | January to March, 2021 | January to March, 2020 |
|------------------------------|-----------------------------------|-----------------------------------|
| Short-term employee benefits | \$ 7,769 | 6,688 |
| Benefits after retirement | 103 | 104 |
| | <u>\$ 7,872</u> | <u>6,792</u> |

VIII. Pledged Assets

Details of carrying amount of assets pledged by the consolidated company were as follows:

| Pledged Assets | Purpose of Pledge | 2021.3.31 | 2020.12.31 | 2020.3.31 |
|--------------------------------------|--|-------------------------|----------------------|----------------------|
| Other financial assets - non-current | Purchase guarantee, investment guarantee, etc. | <u>\$ 26,239</u> | <u>26,351</u> | <u>25,852</u> |

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments: None.

X. Significant Disaster Loss: None.

XI. Significant Subsequent Events: None.

XII. Others

The following is the summary statement of employee benefits and depreciation expenses by function:

| Function Type | January to March, 2021 | | | January to March, 2020 | | |
|------------------------------------|-------------------------------|---------------------------|--------------|-------------------------------|---------------------------|--------------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salary expense | 53,035 | 47,717 | 100,752 | 31,726 | 31,729 | 63,455 |
| Labor and health insurance expense | 314 | 1,859 | 2,173 | 129 | 1,473 | 1,602 |
| Pension expense | 177 | 997 | 1,174 | 110 | 863 | 973 |
| Other employee benefits expenses | 1,122 | 1,679 | 2,801 | 468 | 1,526 | 1,994 |
| Depreciation | 40,669 | 10,681 | 51,350 | 45,890 | 6,380 | 52,270 |
| Amortization | 29 | 1,268 | 1,297 | 18 | 1,022 | 1,040 |

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

XIII. Supplementary disclosures

(I) Information on significant transactions

Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," information of significant transactions which shall be disclosed by the consolidated company is as follows:

1. Financing provided to others:

| No. | Lending company | Borrower | Subject | Whether A Related Party | Maximum Balance in Current Period | Ending Balance | Amount Actually Drawn | Interest rate range | Nature of Financing | Business Transaction Amount | Reason for Short-term Financing | Loss Allowance | Collateral | | Limit on Financing to A Single Party | Total Limit on Financing |
|-----|-----------------|------------|---|-------------------------|-----------------------------------|----------------|-----------------------|---------------------|----------------------|-----------------------------|---------------------------------|----------------|------------|-------|--------------------------------------|--------------------------|
| | | | | | | | | | | | | | Name | Value | | |
| 0 | The Company | APAQ Wuxi | Other accounts receivable - related parties | Yes | 171,210 | 171,210 | - | - | Business transaction | 1,555,794 | - | - | - | - | 966,130 | 966,130 |
| 0 | The Company | APAQ Hubei | Other accounts receivable - related parties | Yes | 171,210 | 171,210 | - | - | Short-term Financing | - | Business Needs of Subsidiary | - | - | - | 966,130 | 966,130 |

Note 1. For firms or companies having business relationship with the Company, the financing amount to an individual party is limited to the transaction amount between both parties.

Note 2. Total amount of financing to external parties shall be limited to 40% of the equity attributable to the owners of the parent company in the balance sheet of the Company's consolidated financial statements as audited (reviewed) by the CPAs in the most recent period.

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

2. Endorsement or guarantee provided to others

| | Name of Endorsement/Guarantee Provider | Subject of Endorsements/Guarantees | | Limit on Endorsements/Guarantees Provided for A Single Party | Maximum Balance of Endorsements/Guarantees in Current Period | Ending Balance of Endorsement and Guarantee | Amount Actually Drawn | Amount of Endorsement/Guarantee Collateralized by Properties | Ratio of Accumulated Endorsements/Guarantees to the Net Worth of the Most Recent Financial Statement | Maximum Endorsement/Guarantee Amount Allowable | Guarantee Provided by Parent Company to A Subsidiary | Guarantee Provided by A Subsidiary to Parent Company | Guarantee Provided to Subsidiaries in Mainland China |
|---|--|------------------------------------|------------|--|--|---|-----------------------|--|--|--|--|--|--|
| | | Name | Relation | | | | | | | | | | |
| 0 | The Company | APAQ Wuxi | Subsidiary | 2,415,324 | 199,745 | 199,745 | - | - | 8.27% | 2,415,324 | Y | N | Y |
| 0 | The Company | APAQ Hubei | Subsidiary | 2,415,324 | 199,745 | 199,745 | - | - | 8.27% | 2,415,324 | Y | N | Y |

Note 1. The amount of the endorsements/guarantees to a single enterprise shall be limited to the amount of equity attributable to the owners of the parent company in the balance sheet of the Company's consolidated financial statements as audited (reviewed) by the CPAs in the most recent period.

Note 2. The total amount of endorsements/guarantees to external parties shall be limited to the amount of equity attributable to the owners of the parent company in the balance sheet of the Company's consolidated financial statements as audited (reviewed) by the CPAs in the most recent period.

3. Holding of marketable securities at the end of the period (excluding investments in subsidiaries, associates and joint ventures):

| Name of Held Company | Type and Name of Marketable Securities | Relationship with the Issuer | Financial Statement Account | End of the Period | | | | Remarks |
|----------------------|--|------------------------------|--|-------------------|-----------------|----------------|------------|---------|
| | | | | Shares | Carrying Amount | Shareholding % | Fair Value | |
| The Company | Walton Chaintech Corporation | None | Financial assets at fair value through other comprehensive income - current- | 4,710 | 186,516 | 4.64% | 186,516 | |
| The Company | Foxfortune Technology Ventures Limited | None | Financial assets at fair value through other comprehensive income - non-current- | 1,000 | 52,531 | 5.80% | 52,531 | |
| The Company | Inpaq Korea | None | Financial assets at fair value through other comprehensive income - non-current- | 18 | 1,723 | 10.73% | 1,723 | |
| The Company | Chia-Lin Venture Capital Co., Ltd. | None | Financial assets at fair value through other comprehensive income - non-current- | 1,800 | 17,259 | 3.64% | 17,259 | |
| The Company | Kuan Kun Electronic Enterprise Co., Ltd. | None | Financial assets at fair value through other comprehensive income - non-current- | 3,770 | 59,391 | 5.39% | 59,391 | |
| The Company | Ching Chiao Technology Co., Ltd. | None | Financial assets at fair value through other comprehensive income - non-current- | 240 | 1,500 | 3.20% | 1,500 | |
| The Company | Yuanxin Semiconductor Co., Limited | None | Financial assets at fair value through other comprehensive income - non-current- | 800 | 7,100 | 11.43% | 7,100 | |

4. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital: None.

5. Acquisition of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: None.

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

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

7. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital: None.

| Company Name | Name of the Counterparty | Relation | Transaction Details | | | | Situation and reason of why transaction conditions are different from general transactions | | Notes/Accounts Receivable or Payable | | Remarks |
|--------------|--------------------------|------------|---------------------|---------|---------------------------------|---------------|--|---------------|--------------------------------------|---|---------|
| | | | Purchases/sales | Amount | Ratio of total purchase (sales) | Credit period | Unit Price | Credit period | Balance | Ratio to total amount of notes/accounts receivable or payable | |
| The Company | APAQ Wuxi | Subsidiary | Purchase | 357,665 | 99 % | 60 days | - | Note 1 | 313,989 | 98.00% | Note 2 |

Note 1: The payment period of general suppliers ranges from 30 days to 90 days on the monthly statement, and the payment period for ApaQ Wuxi is 60 days.

Note 2: Related transactions and closing balances have been eliminated from the consolidated financial statements.

8. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital: None.

9. Trading in derivative instruments: Please refer to Notes VI(XII).

10. Business relation and important transactions between parent company and subsidiaries:

| No. | Name of Trader | Name of Counterparty | Relation with the Transacting Party | Conditions of Transactions | | | |
|-----|----------------|----------------------|-------------------------------------|----------------------------|---------|----------------------|---|
| | | | | Account | Amount | Terms of Transaction | Ratio to Consolidated Revenue or Total Assets |
| 0 | The Company | APAQ Wuxi | Parent company to a subsidiary | Purchase | 357,665 | 60 days | 55% |
| 0 | The Company | APAQ Wuxi | Parent company to a subsidiary | Sales | 25,414 | 60 days | 4% |
| 0 | The Company | APAQ Wuxi | Parent company to a subsidiary | Accounts receivable | 31,018 | - | 1% |
| 0 | The Company | APAQ Wuxi | Parent company to a subsidiary | Accounts payable | 313,989 | - | 8% |

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

(II) Information on reinvestment:

The information on investees is as follows (excluding investees in Mainland China):

| Name of investor | Name of investees | Location | Primary Business | Original Investment Amount | | Ending Balance | | | Current Income (Loss) of the Investee | Investment Profit or Loss Recognized in the Current Period | Remarks |
|------------------|-------------------|----------|---|----------------------------|------------------|----------------|---------|-----------------|---------------------------------------|--|---------------|
| | | | | End of the Period | End of Last Year | Shares | % | Carrying Amount | | | |
| The Company | APAQ Samoa | Samoa | Holding | 1,377,960 | 1,377,960 | 44,504 | 100.00% | 1,853,543 | 5,311 | 14,819 | Notes 1 and 2 |
| The Company | AiPAQ Technology | Taiwan | Production and sales of electronic components, etc. | 30,000 | - | 3,000 | 30.00% | 30,000 | (27) | - | |

Note 1: Share of profit/loss includes adjustments for upstream transactions between affiliates.

Note 2: Related transactions and closing balances have been eliminated from the consolidated financial statements.

(III) Information on investments in Mainland China:

1. Information on reinvestments in Mainland China

| Name of Investee in Mainland China | Primary Business | Paid-in Capital (Note 6) | Method of Investment | Beginning Balance of Accumulated Outflow of Investment from Taiwan | Remittance or Recovery of Investment the Current Period | | Ending Balance of Accumulated Outflow of Investment from Taiwan | Current Income (Loss) of the Investee | The Company's Percentage of Direct or Indirect Ownership | Investment Gains (Losses) Recognized in the Current Period | Carrying Amount of Investment at the End of Period | Ending Balance of Accumulated Inward Remittance of Earnings | Remarks |
|---|---|-----------------------------------|----------------------|--|---|----------|---|---------------------------------------|--|--|--|---|---------|
| | | | | | Outward Remittance (Note 6) | Recovery | | | | | | | |
| APAQ Wuxi | Production and sales of electronic components, etc. | 1,189,910 (USD41,700 thousand) | Note 1 | 1,293,113 (USD41,700 thousand) | - | - | 1,293,113 (USD41,700 thousand) | 6,072 | 100.00% | 6,072 Note 3 | 1,820,674 | - | |
| Shenzhen Gather Electronics Science Co., Ltd. | Production and sales of electronic components, etc. | 43,424 (RMB10,000 thousand) | Note 1 | 44,898 (RMB9,800 thousand) | - | - | 44,898 (RMB9,800 thousand) | 1,128 | 35.00% | 1,031 Note 4 | 46,697 | - | |
| APAQ Hubei | Production and sales of electronic components, etc. | 114,140 (USD4,000 thousand) | Note 2 | 120,550 (USD4,000 thousand) | - | - | 120,550 (USD4,000 thousand) | 9,095 | 100.00% | 9,095 Note 3 | 160,207 | - | |

**Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its
Subsidiaries (Continued)**

2. Limits on reinvestments in Mainland China

| Accumulated investment remitted from Taiwan to Mainland China at the end of the period (Note 6) | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 6) | Upper limit on investment authorized by Investment Commission, MOEA |
|--|--|--|
| 1,458,561 (USD 45,700 thousand and RMB 9,800 thousand) | 1,515,631 (USD47,700 thousand and RMB9,800 thousand) | (Note 7) |

Note 1. Investment in Mainland China indirectly through a third area.

Note 2. Direct investment in Mainland China.

Note 3. It was recognized based on financial statements of the same period reviewed by the CPAs.

Note 4. It was recognized based on financial statements of the same period not reviewed by the CPAs.

Note 5. Relevant transactions and ending balances have been eliminated in the consolidated financial statements.

Note 6. The paid-in capital is converted into NTD at the exchange rate on the balance sheet date. The amount of investment remitted in the current period is converted into NTD at previous exchange rates. The investment amount approved by Investment Commission, MOEA of USD 47,700 thousand and RMB 9,800 thousand is converted into NTD at previous exchange rates. In addition, as of March 31, 2021, there was still an approved investment amount of US\$2,000 thousand, which had not yet been remitted.

Note 7. The Company has obtained the certificate letter of enterprise headquarters operation scope issued by the Industrial Development Bureau, MOEA. The upper limits for investments in Mainland China set by the Investment Commission, MOEA no longer apply.

3. Substantial transactions:

Please refer to the "Information on Significant Transactions" for direct or indirect material transactions between the consolidated company and investees in China (which have been eliminated during the preparation of consolidated financial statements) for the three months ended March 31, 2021.

**Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its
Subsidiaries (Continued)**

(IV) Information on major shareholders:

| Unit: Shares | | |
|------------------------------------|---------------|--------------|
| Shareholding | No. of Shares | Shareholding |
| Name of Major Shareholder | Held | % |
| Huacheng Venture Capital Co., Ltd. | 10,668,012 | 12.32% |
| Prosperity Dielectrics Co., Ltd. | 5,280,000 | 6.10% |
| INPAQ Technology Co., Ltd. | 4,776,329 | 5.51% |
| Walton Advanced Engineering, Inc. | 4,591,000 | 5.30% |

Note: The information on major shareholders in this table are shareholders holding more than 5% of the common and preference stocks that have completed delivery of non-physical registration (including treasury stocks) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. However, the share capital recorded in the Company's financial report and the number of shares actually delivered by the Company without physical registration may differ due to calculation basis.

XIV. Segment information

The consolidated company focuses on producing ultra-small, high temperature-resistant, long life, low impedance electrolytic capacitors and cooperates with customers to develop and manufacture high voltage capacitors, chip capacitors, organic semiconductor solid capacitors and high energy storage capacitors. It is a single operating segment. The information of the operating segment is consistent with the consolidated financial statements. Please refer to the consolidated statements of comprehensive income for revenue (revenue from external customers) and income/loss of the segment and the consolidated balance sheets for segment information.