

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

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

**For the Six Months Ended June 30,
2021 and 2020**

**Address: 4F., No. 2&6, Kedong 3rd Rd., Zhunan Township, Miaoli County 350,
Taiwan (R.O.C.)**

Tel: (037)777-588

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.

Table of Contents

Item	<u>Page(s)</u>
I. Cover	1
II. Table of Contents	2
III. Independent Auditors' Review Report	3~4
IV. Consolidated Balance Sheets	5
V. Consolidated Statements of Comprehensive Income	6
VI. Consolidated Statements of Changes in Equity	7
VII. Consolidated Statements of Cash Flows	8
VIII. Notes to Consolidated Financial Statements	
(I) History and Organization	9
(II) Approval Date and Procedures of the Parent Company Only Financial Statements	9
(III) Application of New Standards, Amendments and Interpretations	9~10
(IV) Summary of Significant Accounting Policies	10~11
(V) Significant Accounting Judgments, Estimates and Key Sources of Uncertainty over Assumptions	12
(VI) Details of Significant Accounts	12~37
(VII) Related Party Transactions	37~38
(VIII) Pledged Assets	39
(IX) Significant Contingent Liabilities and Unrecognized Contract Commitments	39
(X) Significant Disaster Loss	39
(XI) Significant Subsequent Events	39
(XII) Other	40
(XIII) Supplementary disclosures	
1. Significant transactions information	41
2. Information on investees	43
3. Information on investments in Mainland China	43
4. Information on major shareholders	44~45
(XIV) Operating segment information	45

Independent Auditors' Review Report

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

Introduction

We have reviewed the consolidated balance sheets of APAQ TECHNOLOGY CO., LTD. and subsidiaries as of June 30, 2021 and 2020; the related consolidated statements of comprehensive income for the three months and six months ended June 30, 202 and 2020, the consolidated statements of changes in equity and consolidated statements of cash flows for the six-month periods then ended, and notes to consolidated financial statements (including summary on 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\$76,171 thousand and NT\$44,743 thousand as of June 30, 2021 and 2020, respectively. The share of profits (losses) of associates accounted for under the equity method were NT\$168 thousand, NT\$122 thousand, NT\$1,1994 thousand and NT\$403 thousand for the three months and six 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.

Qualified Conclusion

Based on our reviews, except for possible effects from financial statements of the 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 accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial status of APAQ Technology Co., Ltd. and subsidiaries as of June 30, 2021 and 2020, and its consolidated financial performance for the three months and six months ended June 30, 2021 and 2020 and its consolidated cash flows for the six months then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34 "Interim Financial Reporting" endorsed and issued into effect by Financial Supervisory Commission.

KPMG Taiwan

Wan-Yuan You
Certified public accountant :
Qian-Hui Lu

Securities Competent : (88) Taiwan-Finance-Securities-VI-18311
Authority Approval No. : Jin-Guan-Zheng-Shen-Zi No. 1040007866
August 3, 2021

June 30, 2021 and 2020 Were Reviewed Only, Not Audited in Accordance with the Generally

Accepted Auditing Standards

APAQ TECHNOLOGY CO., LTD. and Subsidiaries

Consolidated Balance Sheets

As of June 30, 2021, December 31 and June 30, 2020

Unit: NT\$ thousand

Assets		2021.6.30		2020.12.31		2020.6.30				2021.6.30		2020.12.31		2020.6.30	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:															
1100	Cash and cash equivalents [Note VI(I)]	\$ 828,249	19	683,514	17	659,698	19								
1120	Financial assets at fair value through other comprehensive income - current [Note VI(II)]	136,590	3	138,474	4	115,866	3	2100	Short-term loans [Note VI(X)]	\$ 1,071,000	25	865,000	21	754,630	21
1150	Notes receivable [Note VI(III)]	40,936	1	51,034	1	48,751	1	2170	Accounts payable	440,053	10	430,730	11	365,719	11
1170	Accounts receivable [Note VI(III)]	959,029	22	984,323	24	793,872	22	2180	Accounts payable - related parties [Note VII]	4,163	-	2,319	-	2,315	-
1180	Accounts receivable - related parties [Notes VI(III) & VII]	47,764	1	25,406	1	14,180	-	2201	Payroll and bonus payable	80,382	2	114,188	3	70,314	2
1310	Inventories, net [Note VI(IV)]	599,133	14	544,367	13	437,178	12	2213	Payables on equipment	61,872	2	24,001	1	9,845	-
1479	Other current assets [Note VI(VIII)]	78,178	2	55,156	1	56,219	2	2216	Dividends payable [Note VI(XV)]	-	-	-	-	84,525	2
		2,689,879	62	2,482,274	61	2,125,764	59	2280	Lease liabilities - current [Note VI(XII)]	8,394	-	9,001	-	9,273	-
								2320	Long-term liabilities due within one year [Note VI(XI)]	-	-	248,676	6	246,038	7
Non-current assets:								2399	Other current liabilities	134,385	3	145,562	4	93,938	3
1517	Financial assets at fair value through other comprehensive income - non-current [Note VI(II)]	126,765	3	136,944	3	112,539	3			1,800,249	42	1,839,477	46	1,636,597	46
1550	Investments accounted for under the equity method [Note VI(V)]	76,171	2	45,737	1	44,743	1	2580	Non-current liabilities:						
1600	Property, plant and equipment [Note VI(VI)]	1,235,516	28	1,183,327	30	1,095,956	31		Lease liabilities - non-current [Note VI(XII)]	13,802	-	17,782	-	22,196	-
1755	Right-of-use assets [Note VI(VII)]	32,746	1	37,627	1	42,038	1		Total Liabilities	1,814,051	42	1,857,259	46	1,658,793	46
1780	Intangible assets [Note VI(IX)]	34,293	1	36,796	1	35,981	1		Equity [Note VI(XI) & (XV)]:						
1840	Deferred income tax assets	50,772	1	45,859	1	62,912	2	3100	Share capital	889,535	20	845,248	21	845,248	23
1984	Other financial assets - non-current [Notes VIII]	26,090	1	26,351	1	25,454	1	3200	Capital surplus	765,757	18	561,362	14	561,362	16
1990	Other non-current assets [Note VI(VIII)]	82,411	1	41,682	1	38,469	1	3300	Retained earnings	1,002,315	23	858,029	21	703,796	20
		1,664,764	38	1,554,323	39	1,458,092	41	3400	Other equity	(117,015)	(3)	(85,301)	(2)	(185,343)	(5)
									Total equity	2,540,592	58	2,179,338	54	1,925,063	54
Total assets		\$ 4,354,643	100	4,036,597	100	3,583,856	100		Total liabilities and equity	\$ 4,354,643	100	4,036,597	100	3,583,856	100

(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 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 and Six Months Ended June 30, 2021 and 2020

Unit: NT\$ thousand

		April to June, 2021		April to June, 2020		January to June, 2021		January to June, 2020	
		Amount	%	Amount	%	Amount	%	Amount	%
4110	Net sales revenue [Notes VI(XVII) & VII]	\$ 710,165	100	598,200	100	1,364,852	100	996,714	100
5110	Operating costs [Notes VI(XIII), (XIX) & VII]	516,461	73	410,176	69	996,048	73	728,672	73
5900	Gross profit	193,704	27	188,024	31	368,804	27	268,042	27
6000	Operating expenses [Notes VI(XIII), (XVIII) & VII]:								
6100	Selling expenses	25,201	4	22,728	4	47,172	3	40,376	4
6200	Administrative expenses	40,101	6	39,079	6	79,151	6	70,440	7
6300	Research and development expenses	22,939	2	16,441	3	48,030	4	31,019	3
	Total operating expenses	88,241	12	78,248	13	174,353	13	141,835	14
6900	Operating profit	105,463	15	109,776	18	194,451	14	126,207	13
7000	Non-operating income and expenses:								
7020	Other gains and losses [Notes VI(XIX)]	23,622	3	15,054	3	28,317	2	28,854	3
7050	Finance costs [Notes VI(XI), (XII) & (XIX)]	(2,524)	-	(4,078)	-	(5,930)	-	(9,494)	(1)
7100	Interest income [Notes VI(XIX)]	673	-	696	-	1,017	-	1,322	-
7230	Foreign exchange gain (loss) [Note VI(XX)]	(28,554)	(4)	(15,557)	(3)	(26,671)	(2)	(9,158)	(1)
7370	Share of profit (loss) of associates accounted for under the equity method [Note VI(V)]	168	-	122	-	1,199	-	403	-
	Non-operating income and expenses, net	(6,615)	(1)	(3,763)	-	(2,068)	-	11,927	1
7900	Net profit before income tax	98,848	14	106,013	18	192,383	14	138,134	14
7950	Less: Income tax expense [Note VI(XIV)]	24,671	3	23,957	4	48,097	3	30,752	3
	Net income for the period	74,177	11	82,056	14	144,286	11	107,382	11
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	(62,665)	(9)	(9,890)	(2)	(12,063)	(1)	(30,835)	(3)
	Total of items that may not be reclassified subsequently to profit or loss	(62,665)	(9)	(9,890)	(2)	(12,063)	(1)	(30,835)	(3)
8360	Items that may be reclassified subsequently to profit or loss								
8361	Financial statements translation differences of foreign operations	(14,305)	(2)	(30,742)	(5)	(24,564)	(2)	(40,931)	(4)
8399	Less: Income tax related to items that may be reclassified [Note VI(XIV)]	(2,861)	-	(6,148)	(1)	(4,913)	-	(8,186)	(1)
	Total of items that may be reclassified subsequently to profit or loss	(11,444)	(2)	(24,594)	(4)	(19,651)	(2)	(32,745)	(3)
8300	Other comprehensive income, net of tax	(74,109)	(11)	(34,484)	(6)	(31,714)	(3)	(63,580)	(6)
	Total comprehensive income for the year	\$ 68	-	47,572	8	112,572	8	43,802	5
	Earnings per share (Unit: NT\$) [Note VI(XVI)]								
9750	Basic earnings per share	\$ 0.84		0.97		1.66		1.27	
9850	Diluted earnings per share	\$ 0.83		0.93		1.62		1.22	

(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 the Generally Accepted Auditing Standards in the Republic of China

APAQ TECHNOLOGY CO., LTD. and Subsidiaries

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2021 and 2020

Unit: NT\$ thousand

	Share capital		Retained earnings						Other equity items			Total equity
	Share capital - common stocks	Capital collected in advance	Total	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Financial statements translation differences of foreign operations	Gains (losses) on equity instruments investment at fair value through other comprehensive income	Total	
Balance as of January 1, 2020	\$ 844,419	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	-	-	-	-	-	-	107,382	107,382	-	-	-	107,382
Other comprehensive income for the period	-	-	-	-	-	-	-	-	(32,745)	(30,835)	(63,580)	(63,580)
Total comprehensive income for the year	-	-	-	-	-	-	107,382	107,382	(32,745)	(30,835)	(63,580)	43,802
Earnings appropriation and distribution:												
Appropriation of legal reserve	-	-	-	-	14,195	-	(14,195)	-	-	-	-	-
Appropriation of special reserve	-	-	-	-	-	70,564	(70,564)	-	-	-	-	-
Cash dividends of common stocks	-	-	-	-	-	-	(84,525)	(84,525)	-	-	-	(84,525)
Conversion of convertible corporate bonds	829	(592)	237	562	-	-	-	-	-	-	-	799
Balance as of June 30, 2020	\$ 845,248	-	845,248	561,362	139,955	121,763	442,078	703,796	(147,500)	(37,843)	(185,343)	1,925,063
Balance as of January 1, 2021	\$ 845,248	-	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	-	-	-	-	-	-	144,286	144,286	-	-	-	144,286
Other comprehensive income for the period	-	-	-	-	-	-	-	-	(19,651)	(12,063)	(31,714)	(31,714)
Total comprehensive income for the year	-	-	-	-	-	-	144,286	144,286	(19,651)	(12,063)	(31,714)	112,572
Conversion of convertible corporate bonds	44,287	-	44,287	204,395	-	-	-	-	-	-	-	248,682
Balance as of June 30, 2021	\$ 889,535	-	889,535	765,757	139,955	121,763	740,597	1,002,315	(106,122)	(10,893)	(117,015)	2,540,592

(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 the Generally Accepted Auditing
Standards in the Republic of China**

APAQ TECHNOLOGY CO., LTD. and Subsidiaries

Consolidated Statements of Cash Flows

For the six months ended June 30, 2021 and 2020

Unit: NT\$ thousand

	January to June, 2021	January to June, 2020
Cash flows from operating activities:		
Income before income tax for the period	\$ 192,383	138,134
Adjustments:		
Income and expenses having no effect on cash flows		
Depreciation	103,012	110,460
Amortization	2,598	2,105
Interest expense	5,930	9,494
Dividend income	(20,325)	(1,033)
Interest income	(1,017)	(1,322)
Share of corporate profit recognized under the equity method	(1,199)	(403)
Obsolescence of property, plant and equipment	406	78
Other net expenses having no effect on cash flows	883	218
Total income and expense items	<u>90,288</u>	<u>119,597</u>
Changes in operating assets and liabilities:		
Notes and accounts receivable (including related parties)	908	16,493
Inventories	(59,669)	(57,237)
Other operating assets	(23,422)	(28,552)
Accounts payable (including related parties)	19,085	69,421
Other operating liabilities	(20,467)	(16,799)
Total adjustments	<u>6,723</u>	<u>102,923</u>
Cash generated from operations	199,106	241,057
Interest received	1,017	1,322
Dividends received	20,325	1,033
Interest paid	(4,691)	(8,150)
Income tax paid	(71,600)	(21,223)
Net cash generated from operating activities	<u>144,157</u>	<u>214,039</u>
Cash flows from investing activities:		
Financial assets at fair value through other comprehensive income - return of capital due to capital reduction	-	2,000
Acquisition of investments accounted for under the equity method	(30,000)	-
Proceeds from purchases of property, plant and equipment	(117,206)	(43,654)
Acquisition of intangible assets	(100)	(830)
Increase in other financial assets	-	(556)
Increase in other non-current assets	496	(8,492)
Increase in prepayments for business facilities	(51,608)	(30,388)
Net cash used in investing activities	<u>(198,418)</u>	<u>(81,920)</u>
Cash flows from financing activities:		
Increase in short-term loans	206,000	100,000
Repayment of short-term loans	-	(276,987)
Repayment for bonds due	(1,100)	(1,300)
Repayment of lease principal	(4,709)	(4,358)
Net cash flows generated from (used in) financing activities	<u>200,191</u>	<u>(182,645)</u>
Effect of exchange rates on cash and cash equivalents	(1,195)	9,271
Increase (decrease) in cash and cash equivalents	144,735	(41,255)
Cash and cash equivalents, beginning of the year	683,514	700,953
Cash and cash equivalents, end of the year	<u><u>\$ 828,249</u></u>	<u><u>659,698</u></u>

(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 the Generally Accepted Auditing
Standards in the Republic of China**

APAQ TECHNOLOGY CO., LTD. and Subsidiaries

Notes to Consolidated Financial Statements

For the Six Months Ended June 30, 2021 and 2020

(The unit for all amounts expressed are in thousands of NTD unless otherwise stated)

I. History and Organization

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 Parent Company Only Financial Statements

The consolidated financial statements were approved and issued on August 3, 2021, by the Board of Directors.

III. Application of New Standards, Amendments 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.

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

(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 January 1, 2022, do not have a material impact on the consolidated financial statements.

- Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"
- Annual Improvements to IFRSs 2018-2020 cycle
- Amendment to IFRS 3 "Reference to the Conceptual Framework"

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

(III) Newly issued and amended standards and interpretations yet to be 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 "Disclosure of Accounting Policies"	<p>The Amendments to IAS 1 include:</p> <ul style="list-style-type: none"> ● A Company is now required to disclose its material accounting policy information instead of its significant accounting policies; ● Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not to be disclosed; ● Not all accounting policy information that relates to material transactions, other events or conditions is material to the Company's financial statements. 	January 1, 2023

The consolidated company is in the process of evaluating the impact on its financial position and performance of the adoption of the aforementioned standards and interpretations. The results thereof will be disclosed when the evaluation is completed.

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
- Amendment to IAS 1 "Classification of Liabilities as Current or Non-Current"
- Amendment to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"

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

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

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		
			2021.6.30	2020.12.31	2020.6.30
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%

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.

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

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 judgments, 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>2021.6.30</u>	<u>2020.12.31</u>	<u>2020.6.30</u>
Cash and demand deposit	\$ 741,997	639,866	617,845
Time deposits	86,252	43,648	41,853
Cash and cash equivalents	<u><u>\$ 828,249</u></u>	<u><u>683,514</u></u>	<u><u>659,698</u></u>

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

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

1. Current:

	<u>2021.6.30</u>	<u>2020.12.31</u>	<u>2020.6.30</u>
Domestic listed stocks	<u><u>\$ 136,590</u></u>	<u><u>138,474</u></u>	<u><u>115,866</u></u>

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

2. Non-current:

	<u>2021.6.30</u>	<u>2020.12.31</u>	<u>2020.6.30</u>
Domestic and foreign unlisted common stocks			
Foxfortune Technology Ventures Limited \$	37,477	52,996	40,293
Inpaq Korea Co., Ltd.	1,556	1,418	1,068
Element I Venture Capital Co., Ltd.	18,043	16,259	15,952
Kuan Kun Electronic Enterprise Co., Ltd.	58,887	57,725	50,722
AICP Technology Corporation	1,396	1,582	4,504
Yuanxin Semiconductor Co., Limited	9,406	6,964	-
	<u><u>\$ 126,765</u></u>	<u><u>136,944</u></u>	<u><u>112,539</u></u>

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

	<u>2021.6.30</u>			<u>2020.12.31</u>			<u>2020.6.30</u>		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
USD \$	1,017	27.86	28,334	1,017	28.48	28,964	1,017	29.63	30,134

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.

Element I Venture Capital Co., Ltd. had resolved to carry out capital reduction in the board meeting in June 2020 and returned capital of NT\$2,000 thousand to the consolidated company.

The consolidated company recognized dividend income of NT\$20,325 thousand and NT\$1,033 thousand for the aforementioned investments in equity instruments designated at fair value through other comprehensive income for the six months ended June 30, 2021 and 2020, respectively.

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

	<u>2021.6.30</u>	<u>2020.12.31</u>	<u>2020.6.30</u>
Notes receivable	\$ 40,936	51,034	48,751
Accounts receivable	959,029	984,323	793,872
Accounts receivable - related parties	47,764	25,406	14,180
	<u><u>\$ 1,047,729</u></u>	<u><u>1,060,763</u></u>	<u><u>856,803</u></u>

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

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:

2021.6.30			
	Carrying amount of accounts receivable (including related parties)	Ratio of loss on lifetime expected credit	Allowance of lifetime expected credit loss
Not past due	\$ 1,034,986	0%	-
Past due 1-90 days	12,743	0%	-
Total	<u>\$ 1,047,729</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%	-
Past due 1-90 days	2,151	0%	-
Total	<u>\$ 1,060,763</u>		<u>-</u>
2020.6.30			
	Carrying amount of accounts receivable (including related parties)	Ratio of loss on lifetime expected credit	Allowance of lifetime expected credit loss
Not past due	\$ 856,480	0%	-
Past due 1-90 days	323	0%	-
Total	<u>\$ 856,803</u>		<u>-</u>

No impairment loss has been provided by the consolidated company for receivables (including related parties) for the six months ended June 30, 2021 and 2020.

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

(IV) Inventories, net

	<u>2021.6.30</u>	<u>2020.12.31</u>	<u>2020.6.30</u>
Raw materials	\$ 249,615	194,351	164,521
Work in process and semi-finished products	69,493	61,212	56,627
Finished goods and commodity	<u>280,025</u>	<u>288,804</u>	<u>216,030</u>
	<u><u>\$ 599,133</u></u>	<u><u>544,367</u></u>	<u><u>437,178</u></u>

(V) Investments accounted for under the equity method

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

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:

	<u>2021.6.30</u>	<u>2020.12.31</u>	<u>2020.6.30</u>
The carrying amount of equity at the end of the period of individual non-significant associates	<u>\$ 76,171</u>	<u>45,737</u>	<u>44,743</u>

Share attributable to the consolidated company:

	<u>April to June, 2021</u>	<u>April to June, 2020</u>	<u>January to June, 2021</u>	<u>January to June, 2020</u>
Net income for the period	\$ 168	122	1,199	403
Other comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u><u>\$ 168</u></u>	<u><u>122</u></u>	<u><u>1,199</u></u>	<u><u>403</u></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.

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

(VI) Property, plant and equipment

	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
Additions	4,092	35,194	6,495	119,481	165,262
Obsolescence	-	(5,370)	(902)	-	(6,272)
Reclassifications	8,814	62,864	11,173	(83,992)	(1,141)
Effect of Exchange Rate	(4,373)	(18,651)	(1,041)	(1,486)	(25,551)
Balance as of June 30, 2021	\$ 371,690	1,678,948	146,462	165,930	2,363,030
Balance as of January 1, 2020 \$	353,940	1,489,109	114,134	52,619	2,009,802
Additions	-	12,674	10,626	25,384	48,684
Obsolescence	-	(396)	(463)	-	(859)
Reclassifications	-	22,440	(11,171)	(11,487)	(218)
Effect of Exchange Rate	(9,238)	(38,780)	(2,219)	(2,288)	(52,525)
Balance as of June 30, 2020	\$ 344,702	1,485,047	110,907	64,228	2,004,884
Accumulated depreciation:					
Balance as of January 1, 2021 \$	140,357	834,470	72,578	-	1,047,405
Depreciation for the period	13,343	73,452	11,348	-	98,143
Obsolescence	-	(5,072)	(794)	-	(5,866)
Effect of Exchange Rate	(1,704)	(9,936)	(528)	-	(12,168)
Balance as of June 30, 2021	\$ 151,996	892,914	82,604	-	1,127,514
Balance as of January 1, 2020 \$	113,230	666,892	53,484	-	833,606
Depreciation for the period	13,266	83,760	8,808	-	105,834
Disposals and obsolescence	-	(366)	(415)	-	(781)
Effect of Exchange Rate	(4,182)	(24,306)	(1,243)	-	(29,731)
Balance as of June 30, 2020	\$ 122,314	725,980	60,634	-	908,928
Carrying Amount:					
January 1, 2021	\$ 222,800	770,441	58,159	131,927	1,183,327
June 30, 2021	\$ 219,694	786,034	63,858	165,930	1,235,516
June 30, 2020	\$ 222,388	759,067	50,273	64,228	1,095,956

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

(VII) Right-of-use assets

	Land use rights	Buildings	Transportation equipment	Total
Cost of right-of-use assets:				
Balance as of January 1, 2021	\$ 11,678	39,940	1,082	52,700
Additions	-	-	122	122
Deduction	-	-	(1,204)	(1,204)
Effect of exchange rate changes	(140)	-	-	(140)
Balance as of June 30, 2021	<u>\$ 11,538</u>	<u>39,940</u>	<u>-</u>	<u>51,478</u>
Balance as of January 1, 2020	\$ 11,497	24,497	1,082	37,076
Additions	-	15,975	-	15,975
Effect of exchange rate changes	(300)	-	-	(300)
Balance as of June 30, 2020	<u>\$ 11,197</u>	<u>40,472</u>	<u>1,082</u>	<u>52,751</u>
Accumulated depreciation of right-of-use assets:				
Balance as of January 1, 2021	\$ 578	13,529	966	15,073
Provision for depreciation	143	4,488	238	4,869
Deduction	-	-	(1,204)	(1,204)
Effect of exchange rate changes	(6)	-	-	(6)
Balance as of June 30, 2021	<u>\$ 715</u>	<u>18,017</u>	<u>-</u>	<u>18,732</u>
Balance as of January 1, 2020	\$ 284	5,342	483	6,109
Provision for depreciation	153	4,232	241	4,626
Effect of exchange rate changes	(22)	-	-	(22)
Balance as of June 30, 2020	<u>\$ 415</u>	<u>9,574</u>	<u>724</u>	<u>10,713</u>
Carrying Amount:				
January 1, 2021	<u>\$ 11,100</u>	<u>26,411</u>	<u>116</u>	<u>37,627</u>
June 30, 2021	<u>\$ 10,823</u>	<u>21,923</u>	<u>-</u>	<u>32,746</u>
June 30, 2020	<u>\$ 10,782</u>	<u>30,898</u>	<u>358</u>	<u>42,038</u>

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

(VIII) Other financial assets - current and non-current

	<u>2021.6.30</u>	<u>2020.12.31</u>	<u>2020.6.30</u>
Prepayments for business facilities	\$ 71,448	30,104	34,760
Credits of business tax and incremental value tax	52,714	38,563	40,044
Prepaid expenses	25,019	15,904	14,660
Prepayments for goods and others	<u>11,408</u>	<u>12,267</u>	<u>5,224</u>
	<u>\$ 160,589</u>	<u>96,838</u>	<u>94,688</u>

(IX) Intangible assets

	<u>Computer software</u>	<u>Royalty fees</u>	<u>Total</u>
January 1, 2021	<u>\$ 3,643</u>	<u>33,153</u>	<u>36,796</u>
June 30, 2021	<u>\$ 3,017</u>	<u>31,276</u>	<u>34,293</u>
June 30, 2020	<u>\$ 951</u>	<u>35,030</u>	<u>35,981</u>

There were no material additions, disposals, provision or reversal of impairment where the consolidated company's intangible assets were concerned for the six months ended June 30, 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.

(X) Short-term loans

	<u>2021.6.30</u>	<u>2020.12.31</u>	<u>2020.6.30</u>
Unsecured bank loans	<u>\$ 1,071,000</u>	<u>865,000</u>	<u>754,630</u>
Unused limit	<u>\$ 943,684</u>	<u>981,352</u>	<u>772,040</u>
Interest rate range	<u>0.88%~</u>	<u>0.88%~</u>	<u>0.88%~</u>
	<u>1.0001%</u>	<u>1.03%</u>	<u>1.1502%</u>

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

(XI) 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:

	<u>2021.6.30</u>	<u>2020.12.31</u>	<u>2020.6.30</u>
Total amount of issuing convertible corporate bonds	\$ 300,000	300,000	300,000
Less: Accumulated converted ordinary shares	(298,700)	(298,700)	(298,700)
Less: Repayment upon maturity	<u>(1,300)</u>	<u>(1,300)</u>	<u>(1,300)</u>
Balance of bonds payable at the end of the period	<u>\$ -</u>	<u>-</u>	<u>-</u>
	<u>April to June, 2021</u>	<u>April to June, 2020</u>	<u>January to June, 2021</u>
Interest expense	<u>\$ -</u>	<u>-</u>	<u>-</u>
			<u>3</u>

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 relevant issuance and conversion regulations, the Company will repay the converted corporate bonds in cash at a time according to the remaining bond denomination.

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.

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

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>2021.6.30</u>	<u>2020.12.31</u>	<u>2020.6.30</u>
Total amount of issuing convertible corporate bonds	\$ 250,000	250,000	250,000
Less: Unamortized payable corporate bond discount	-	(1,324)	(3,962)
Less: Accumulated converted ordinary shares	(248,900)	-	-
Less: Long-term liabilities due within one year	-	(248,676)	(246,038)
Less: Repayment upon maturity	<u>(1,100)</u>	<u>-</u>	<u>-</u>
Balance of bonds payable at the end of the period	<u>\$ -</u>	<u>-</u>	<u>-</u>
	<u>April to June, 2021</u>	<u>April to June, 2020</u>	<u>January to June, 2021</u>
Interest expense	<u>\$ -</u>	<u>1,308</u>	<u>1,107</u>
		<u>2,612</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 relevant issuance and conversion regulations, the Company will repay the converted corporate bonds in cash at a time according to the remaining bond denomination.

The conversion prices were NT\$56.2 and NT\$58.0 on April 27, 2021 (maturity date) and June 30, 2020, respectively.

For the period from January 1 to April 27, 2021 (maturity date), a nominal amount of NT\$248,682 thousand unsecured convertible corporate bonds were applied to be converted to 4,429 thousand common stocks. Capital surplus increased by NT\$204,395 thousand due to the conversion.

(XII) Lease liabilities

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

	<u>2021.6.30</u>	<u>2020.12.31</u>	<u>2020.6.30</u>
Current	\$ 8,394	9,001	9,273
Non-current	<u>13,802</u>	<u>17,782</u>	<u>22,196</u>

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

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

The amount recognized in profit or loss is as follows:

	April to June, 2021	April to June, 2020	January to June, 2021	January to June, 2020
Interest expense of lease liabilities	\$ 68	95	143	180
Expense for leases of low-value items	\$ 18	20	36	38

The amounts recognized in the statements of cash flows are:

	January to June, 2021	January to June, 2020
Total cash outflow for lease	\$ 4,888	4,576

1. Leasing of houses and buildings

The consolidated company leased houses and buildings as office premises and factory buildings as of June 30, 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 of the office premises of the consolidated company's lease is two years. These leases are for low-value items, and the consolidated company chooses to apply the exemption recognition requirement instead of recognizing their right-of-use assets and lease liabilities.

(XIII) Employee benefits

For pension expenses of the consolidated company for the six months ended June 30, 2021 and 2020, please refer to Note XII for details.

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

(XIV) Income Tax

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

	April to June, 2021	April to June, 2020	January to June, 2021	January to June, 2020
Current income tax expenses	\$ 35,674	29,518	59,100	36,313
Current income tax from adjustment of prior period	<u>(11,003)</u>	<u>(5,561)</u>	<u>(11,003)</u>	<u>(5,561)</u>
	<u>\$ 24,671</u>	<u>23,957</u>	<u>48,097</u>	<u>30,752</u>

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

	April to June, 2021	April to June, 2020	January to June, 2021	January to June, 2020
Exchange differences on translation of foreign operations	<u>\$ (2,861)</u>	<u>(6,148)</u>	<u>(4,913)</u>	<u>(8,186)</u>

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

(XV) 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 six months ended June 30, 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 June, 2021	January to June, 2020
Balance as of January 1	84,525	84,502
Conversion of convertible corporate bonds	<u>4,429</u>	<u>23</u>
Balance as of June 30	<u>88,954</u>	<u>84,525</u>

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

The Company issued 4,429 thousand new shares of common stocks for the conversion of convertible corporate bonds for the period from January 1 to April 27, 2021 (maturity date) with the amount of NT\$44,287 thousand, and has completed the statutory registration procedures.

Between January 1 to March 1, 2020 (maturity date), the Company issued 23 thousand new shares of common stocks for the conversion of convertible corporate bonds with the amount of NT\$237 thousand. As of June 30, 2020, the above-mentioned capital collected in advance has completed the statutory registration procedures and were transferred to Share capital - common stocks. In addition, the Company issued 60,000 common stocks for the conversion of corporate bonds for the year ended December 31, 2019. As the statutory registration procedures were not completed as of December 31, 2019, they were recognized as capital collected in advance of NT\$592 thousand. As of June 30, 2020, the statutory registration procedures were completed and the stocks were reclassified as Share capital - common stocks.

2. Capital surplus

	<u>2021.6.30</u>	<u>2020.12.31</u>	<u>2020.6.30</u>
Share premium	\$ 320,766	320,766	320,766
Issuance of common stock for cash and retained employee compensation	7,852	7,852	7,852
Subscription right to corporate bonds	117	11,890	11,890
Treasury stock transactions	3,642	3,642	3,642
Premium from conversion of corporate bonds to common stocks	433,380	217,212	217,212
	<u><u>\$ 765,757</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.

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

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:

	2020		2019	
	<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>169,012</u>	1	<u>84,525</u>

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.

**Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and
Subsidiaries (continued)**

(XVI) Earnings per Share (EPS)

	<u>April to June, 2021</u>	<u>April to June, 2020</u>	<u>January to June, 2021</u>	<u>January to June, 2020</u>
Basic EPS:				
Net income attributable to the Company	<u>\$ 74,177</u>	<u>82,056</u>	<u>144,286</u>	<u>107,382</u>
Weighted-average number of ordinary shares (in thousands)	<u>88,681</u>	<u>84,525</u>	<u>86,701</u>	<u>84,512</u>
Basic EPS (NT\$)	<u>\$ 0.84</u>	<u>0.97</u>	<u>1.66</u>	<u>1.27</u>
Diluted EPS:				
Net income attributable to the Company	\$ 74,177	82,056	144,286	107,382
Post-tax interest on convertible corporate bonds	-	1,049	886	2,090
Net income attributable to share capital of common stocks	<u>\$ 74,177</u>	<u>83,105</u>	<u>145,172</u>	<u>109,472</u>
Weighted-average number of ordinary shares (in thousands)	88,681	84,525	86,701	84,512
Employee compensation to be distributed in stocks	268	427	420	804
Convertible corporate bonds	<u>272</u>	<u>4,311</u>	<u>2,253</u>	<u>4,311</u>
Weighted-average number of outstanding shares for the calculation of diluted EPS (in thousands of shares)	<u>89,221</u>	<u>89,263</u>	<u>89,374</u>	<u>89,627</u>
Diluted EPS (NT\$)	<u>\$ 0.83</u>	<u>0.93</u>	<u>1.62</u>	<u>1.22</u>

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

(XVII) Revenue of customer contract

	<u>April to June, 2021</u>	<u>April to June, 2020</u>	<u>January to June, 2021</u>	<u>January to June, 2020</u>
Revenues from major regional markets:				
China	\$ 667,539	578,204	1,285,184	962,435
Taiwan	42,286	19,462	78,927	33,072
Other Countries	<u>340</u>	<u>534</u>	<u>741</u>	<u>1,207</u>
	<u>\$ 710,165</u>	<u>598,200</u>	<u>1,364,852</u>	<u>996,714</u>
Major products				
Coiled conductive polymer solid state capacitors	\$ 568,226	509,592	1,116,763	866,098
Chip-type conductive polymer solid state capacitors	<u>141,939</u>	<u>88,608</u>	<u>248,089</u>	<u>130,616</u>
	<u>\$ 710,165</u>	<u>598,200</u>	<u>1,364,852</u>	<u>996,714</u>

(XVIII) 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, the profit shall first be used to offset against any deficit. 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\$7,522 thousand, NT\$9,796 thousand, NT\$15,972 thousand, and NT\$12,811 thousand as employee compensation and NT\$2,213 thousand, NT\$2,881 thousand, NT\$4,698 thousand, and NT\$3,768 thousand as remuneration for Directors for the three months and six months ended June 30, 2021 and 2020, respectively. These amounts were calculated using the Company's pre-tax income 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.

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

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.

(XIX) Non-operating income and expenses

1. Interest income

	April to June, 2021	April to June, 2020	January to June, 2021	January to June, 2020
Interests on bank deposits	\$ 672	630	1,012	1,255
Other interest income	1	66	5	67
	<u>\$ 673</u>	<u>696</u>	<u>1,017</u>	<u>1,322</u>

2. Other gains and losses, net

	April to June, 2021	April to June, 2020	January to June, 2021	January to June, 2020
Subsidy income	\$ 2,724	12,780	7,190	25,879
Gains (losses) on disposal of property, plant and equipment	-	(59)	(406)	(78)
Dividend income	20,325	1,033	20,325	1,033
Other	573	1,300	1,208	2,020
Other gains and losses, net	<u>\$ 23,622</u>	<u>15,054</u>	<u>28,317</u>	<u>28,854</u>

3. Finance costs

	April to June, 2021	April to June, 2020	January to June, 2021	January to June, 2020
Interest expenses of corporate bonds	\$ -	1,308	1,107	2,615
Interest expenses of loans	2,456	2,675	4,680	6,699
Interest expense of lease liabilities	68	95	143	180
	<u>\$ 2,524</u>	<u>4,078</u>	<u>5,930</u>	<u>9,494</u>

(XX) 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.

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

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 June 30, 2021, December 31 and June 30, 2020, 45%, 48%, and 46%, 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).

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

2. Liquidity risk

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

	<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>
June 30, 2021					
Non-derivative financial liabilities					
Short-term loans	\$ 1,071,000	1,072,209	1,072,209	-	-
Accounts payable (including related parties)	444,216	444,216	444,216	-	-
Payroll and bonus payable	80,382	80,382	80,382	-	-
Payables on equipment	61,872	61,872	61,872	-	-
Lease liabilities (including current and non-current)	22,196	22,589	4,532	4,071	13,986
	\$ 1,679,666	1,681,268	1,663,211	4,071	13,986
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	-	-
Payables 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
	\$ 1,463,021	1,464,683	1,442,094	4,532	18,057
June 30, 2020					
Non-derivative financial liabilities					
Short-term loans	\$ 754,630	754,630	754,630	-	-
Accounts payable (including related parties)	368,034	368,034	368,034	-	-
Payroll and bonus payable	70,314	70,314	70,314	-	-
Payables on equipment	9,845	9,845	3,100	3,466	3,279
Dividends payable	84,525	84,525	84,525	-	-
Lease liabilities (including current and non-current)	31,469	32,175	4,856	4,730	22,589
	\$ 1,318,817	1,319,523	1,285,459	8,196	25,868

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and 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:

Exchange rate risk was as follows:

	2021.6.30			2020.12.31			2020.6.30			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
<u>Financial assets</u>										
<u>Monetary items</u>										
USD	\$	43,727	27.860	1,218,234	40,494	28.48	1,153,269	35,752	29.63	1,059,332
RMB		56,653	4.3126	244,322	45,670	4.3648	199,340	47,040	4.1853	196,877
<u>Financial liabilities</u>										
<u>Monetary items</u>										
USD		3,172	27.860	88,372	1,638	28.48	46,650	1,832	29.63	54,282

(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 June 30, 2021 and 2020 due to depreciation or appreciation of NTD against USD and RMB as of June 30, 2021 and 2020 with all other variables held constant were as follows:

	Range of the fluctuations	January to June, 2021	January to June, 2020
TWD exchange rate	1% depreciation against USD	<u>\$ 9,039</u>	<u>8,040</u>
	1% appreciation against USD	<u>\$ (9,039)</u>	<u>(8,040)</u>
TWD exchange rate	1% depreciation against RMB	<u>\$ 1,955</u>	<u>1,575</u>
	1% appreciation against RMB	<u>\$ (1,955)</u>	<u>(1,575)</u>

(3) Foreign exchange gains (losses) on 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 losses (including realized and unrealized) for the three months and six months ended June 30, 2021 and 2020 were NT\$(28,554) thousand, NT\$(15,557) thousand, NT\$(26,671) thousand, and NT\$(9,158) thousand,

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

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.

The following sensitivity analysis is determined by the interest rate risk exposure of non-derivative instruments on the reporting date. For variable-rate instruments, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year on the reporting date. Changes in other comprehensive income for the six months ended June 30, 2021 and 2020 due to changes in interest rate with all other variables held constant were as follows:

	Range of the fluctuations	January to June, 2021	January to June, 2020
Annual interest rate	Increase of 1%	<u>\$ (4,284)</u>	<u>(3,019)</u>
	Decrease of 1%	<u>\$ 4,284</u>	<u>3,019</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:

	January to June, 2021		January to June, 2020	
Securities price on reporting date	Other comprehensive income, net of tax	Net income for the period	Other comprehensive income, net of tax	Net income for the period
Increase of 1%	\$ 2,634	-	2,284	-
Decrease of 1%	(2,634)	-	(2,284)	-

6. Fair value of financial instruments

(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 Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

2021.6.30					
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income - current					
Domestic listed stocks	<u>\$ 136,590</u>	<u>136,590</u>	<u>-</u>	<u>-</u>	<u>136,590</u>
Financial assets at fair value through other comprehensive income - non-current					
Domestic unlisted stocks	<u>\$ 126,765</u>	<u>-</u>	<u>-</u>	<u>126,765</u>	<u>126,765</u>
2020.12.31					
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income - current					
Domestic listed stocks	<u>\$ 138,474</u>	<u>138,474</u>	<u>-</u>	<u>-</u>	<u>138,474</u>
Financial assets at fair value through other comprehensive income - non-current					
Domestic unlisted stocks	<u>\$ 136,944</u>	<u>-</u>	<u>-</u>	<u>136,944</u>	<u>136,944</u>
Convertible corporate bonds payable (including bonds due within one year)	<u>\$ 248,676</u>	<u>278,400</u>	<u>-</u>	<u>-</u>	<u>278,400</u>
2020.6.30					
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income - current					
Domestic listed stocks	<u>\$ 115,866</u>	<u>115,866</u>	<u>-</u>	<u>-</u>	<u>115,866</u>
Financial assets at fair value through other comprehensive income - non-current					
Domestic unlisted stocks	<u>\$ 112,539</u>	<u>-</u>	<u>-</u>	<u>112,539</u>	<u>112,539</u>
Convertible corporate bonds payable (including bonds due within one year)	<u>\$ 246,038</u>	<u>250,500</u>	<u>-</u>	<u>-</u>	<u>250,500</u>

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

(2) Valuation techniques for financial instruments not measured 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. When market value is unavailable, valuation method is adopted. Estimations and assumptions adopted in the valuation method are that to measure fair value at discounted cash flows.

(3) Valuation techniques for financial instruments that are measured at fair value

- A. The fair value of the consolidated company's domestic listed stocks, which are financial assets with standard terms and conditions and traded in an active market, is determined based on market prices.
- B. The fair value of financial instruments held by the consolidated company that are not traded in an active market are presented by category and attribute as follows:
 - Unquoted equity instruments: For investee companies, the fair value is estimated using the net asset value method. The asset method is used to assess the total value of individual assets and liabilities covered by the appraisal to reflect the overall value of the company.
 - Unquoted equity instruments: For other investment portfolios, the fair value is estimated using comparable company analysis method, and is evaluated based on the price-book ratio of the industry.
- C. 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.

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

(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	(10,179)
Balance as of June 30, 2021	<u><u>\$ 126,765</u></u>
Balance as of January 1, 2020	\$ 117,349
Proceeds from capital reduction	(2,000)
Total gains or losses	
Recognized in other comprehensive profit and loss	(2,810)
Balance as of June 30, 2020	<u><u>\$ 112,539</u></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 June 30, 2021 and 2020, gains on assets amounted to NT\$11,765 thousand and NT\$21,739 thousand, respectively.

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

(6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The consolidated company classified the financial assets measured at fair value through other comprehensive income and loss – non-current as recurring level 3 fair values in the fair value hierarchy due to the use of significant unobservable inputs. The significant unobservable inputs are independent, therefore, there is no correlation between them. Quantified 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 June 30, 2021, December 31, 2020, June 30, 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 June 30, 2020) ● Marketability discount (25% for June 30, 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.

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

(XXI) 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.

(XXII) 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.

(XXIII) Non-cash financing activities

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

1. For non-cash investing and financing activities where convertible corporate bonds were converted into common stocks, please refer to Note VI(XI) for details.
2. For right-of-use assets obtained via leases, please refer to Note VI(VII).

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

3. Reconciliation of liabilities from financing activities was as follows:

			<u>Non-cash changes</u>		
	<u>2021.1.1</u>	<u>Cash flow</u>	<u>Change in Exchange fluctuations</u>	<u>Other changes</u>	<u>2021.6.30</u>
Short-term loans	\$ 865,000	206,000	-	-	1,071,000
Second issuance of convertible corporate bonds	248,676	(1,100)	-	(247,576)	-
Lease liabilities	26,783	(4,709)	-	122	22,196
	<u>\$ 1,140,459</u>	<u>200,191</u>	<u>-</u>	<u>(247,454)</u>	<u>1,093,196</u>

			<u>Non-cash changes</u>		
	<u>2020.1.1</u>	<u>Cash flow</u>	<u>Change in Exchange fluctuations</u>	<u>Other changes</u>	<u>2020.6.30</u>
Short-term loans	\$ 924,840	(176,987)	6,777	-	754,630
First issuance of convertible corporate bonds	2,095	(1,300)	-	(795)	-
Second issuance of convertible corporate bonds	243,423	-	-	2,615	246,038
Lease liabilities	19,852	(4,358)	-	15,975	31,469
	<u>\$ 1,190,210</u>	<u>(182,645)</u>	<u>6,777</u>	<u>17,795</u>	<u>1,032,137</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>April to June, 2021</u>	<u>April to June, 2020</u>	<u>January to June, 2021</u>	<u>January to June, 2020</u>
Shenzhen Gather Electronics Science Co., Ltd.	<u>\$ 25,337</u>	<u>4,860</u>	<u>37,220</u>	<u>12,392</u>

The 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 pricing strategy 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

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

60 to 150 days from end of month.

2. Purchases

	April to June, 2021	April to June, 2020	January to June, 2021	January to June, 2020
Shenzhen Gather Electronics Science Co., Ltd.	\$ 2,703	1,828	4,526	2,850

The 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	2021.6.30	2020.12.31	2020.6.30
Accounts receivable	Shenzhen Gather Electronics Science Co., Ltd.	\$ 47,103	24,709	13,738

4. Payables to related parties

Financial Statement Account	Category of related parties	2021.6.30	2020.12.31	2020.6.30
Accounts payable	Shenzhen Gather Electronics Science Co., Ltd.	\$ 4,163	2,319	2,315

5. Other transactions

The consolidated company engaged in service contracts associated with winding machines with related parties. Service income generated were NT\$632 thousand, NT\$422 thousand, NT\$1,264 thousand and NT\$422 thousand for the three months and six months ended June 30, 2021 and 2020, respectively. As of March 31, 2021, December 31 and June 30, 2020, receivables from related parties from the above transactions amounted to NT\$661 thousand, NT\$697 thousand, and NT\$442 thousand, respectively.

(III) Transactions with key management personnel

Remuneration of major managerial personnel includes:

	April to June, 2021	April to June, 2020	January to June, 2021	January to June, 2020
Short-term employee benefits	\$ 13,271	10,368	21,040	17,056
Post-employment benefits	108	103	211	207
	<u>\$ 13,379</u>	<u>10,471</u>	<u>21,251</u>	<u>17,263</u>

**Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and
Subsidiaries (continued)**

VIII. Pledged Assets

The carrying values of the consolidated company's pledged assets are as follows:

<u>Pledged Assets</u>	<u>Purpose of Pledge</u>	<u>2021.6.30</u>	<u>2020.12.31</u>	<u>2020.6.30</u>
Other financial assets - non-current	Purchase guarantee, investment guarantee, etc.	<u>\$ 26,090</u>	<u>26,351</u>	<u>25,454</u>

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

X. Significant Disaster Loss: None.

XI. Significant Subsequent Events: None.

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

XII. Other

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

Function Type	April to June, 2021			April to June, 2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary expense	70,512	45,666	116,178	64,304	42,822	107,126
Labor and health insurance expense	337	1,819	2,156	134	1,472	1,606
Pension expense	240	1,035	1,275	64	792	856
Other employee benefits expenses	1,200	2,118	3,318	915	1,819	2,734
Depreciation	40,828	10,834	51,662	51,227	6,963	58,190
Amortization	30	1,271	1,301	20	1,045	1,065

Function Type	January to June, 2021			January to June, 2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary expense	123,547	93,383	216,930	96,030	74,551	170,581
Labor and health insurance expense	651	3,678	4,329	263	2,945	3,208
Pension expense	417	2,032	2,449	174	1,655	1,829
Other employee benefits expenses	2,322	3,797	6,119	1,383	3,345	4,728
Depreciation	81,497	21,515	103,012	97,117	13,343	110,460
Amortization	59	2,539	2,598	38	2,067	2,105

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

XIII. Supplementary disclosures

(I) Significant transactions information

Relevant information about significant transactions to be disclosed by the consolidated company in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers is as follows:

1. Financing provided to others:

No.	Lending Company	Borrower	Subject	Related party	Maximum outstanding balance in current period	Ending balance	Amount Actually Drawn	Interest rate range	Nature of loan	Business transaction amount	Reason for short-term financing	Loss Allowance	Collateral		Limit on loans granted to a single party	Total limit on loans
													Name	Value		
0	The Company	Apaq Wuxi	Other accounts receivable - related parties	Yes	171,210	167,160	-	-	Business transaction	1,555,794	-	-	-	-	1,016,237	1,016,237
0	The Company	Apaq Hubei	Other accounts receivable - related parties	Yes	171,210	167,160	83,580	2.366	Short-term financing	-	Business Needs of Subsidiary	-	-	-	1,016,237	1,016,237

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.

2. Endorsement or guarantee provided to others:

No.	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	Endorsement and Guarantee Ending Balance	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	Relationship										
0	The Company	Apaq Wuxi	Subsidiary	2,540,592	199,745	195,020	-	-	7.67%	2,540,592	Y	N	Y
0	The Company	Apaq Hubei	Subsidiary	2,540,592	199,745	195,020	-	-	7.67%	2,540,592	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.

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

3. Holding of negotiable securities at the end of the period (excluding the part of invested affiliated companies, associates and joint ventures equity):

Name of Held Company	Type and name of securities	Relationship with the issuer of the securities	Financial statement item	End of the Period				Remarks
				Shares	Carrying amount	Shareholding %	Fair value	
The Company	CHAINTECH Technology Corporation	None	Financial assets at fair value through other comprehensive income-current	4,710	136,590	4.64%	136,590	
The Company	Foxfortune Technology Ventures Limited	None	Financial assets at fair value through other comprehensive income-non-current	1,000	37,477	5.80%	37,477	
The Company	Inpaq Korea	None	Financial assets at fair value through other comprehensive income-non-current	18	1,556	10.73%	1,556	
The Company	Element I Venture Capital Co., Ltd.	None	Financial assets at fair value through other comprehensive income-non-current	1,800	18,043	3.64%	18,043	
The Company	Kuan Kun Electronic Enterprise Co., Ltd.	None	Financial assets at fair value through other comprehensive income-non-current	3,770	58,887	5.39%	58,887	
The Company	AICP Technology Corporation	None	Financial assets at fair value through other comprehensive income-non-current	240	1,396	3.20%	1,396	
The Company	Yuanxin Semiconductor Co., Limited	None	Financial assets at fair value through other comprehensive income-non-current	800	9,406	8.00%	9,406	

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.

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	Relationship	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 Notes/Accounts Receivable or Payable	
The Company	Apaq Wuxi	Subsidiary	Purchases	839,327	99 %	60 days from end of month	-	Note 1	440,305	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: Relevant transactions and ending balances have been eliminated in the consolidated financial statements.

8. The receivables from related party to reach NT\$ 100 million or 20% of actually received capital amount: None.

9. Trading in derivative instruments: Intangible assets [Note VI(XI.)]

10. Parent-subsidiary company business relation and significant transactions:

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

No.	Name of Trader	Name of the transaction counterparty	Relationship with the trader	Conditions of transactions			
				Items	Amount	Terms of transaction	Ratio to Consolidated Revenue or Total Assets
0	The Company	Apaq Wuxi	Parent company to a subsidiary	Purchases	839,327	60 days from end of month	61%
0	The Company	Apaq Wuxi	Parent company to a subsidiary	Sales	59,749	60 days from end of month	4%
0	The Company	Apaq Wuxi	Parent company to a subsidiary	Accounts receivable	40,345	-	1%
0	The Company	Apaq Wuxi	Parent company to a subsidiary	Accounts payable	440,305	-	10%

(II) Information on reinvestment:

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

Name of Investor	Name of investees	Primary Business	Primary business activities	Original Investment Amount		Shares held at the end of the period			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	Ratio	Carrying amount			
The Company	APAQ Samoa	Samoa	Holding company	1,377,960	1,377,960	44,504	100.00%	1,872,946	46,659	47,396	Notes 1 and 2
The Company	AiPAQ Technology	Taiwan	Production and sales of electronic components, etc.	30,000	-	3,000	30.00%	29,944	(187)	(56)	

Note 1: The recognized profit (loss) from investment includes the adjustment of counter-current transactions between associates.

Note 2: Relevant transactions and ending balances have been eliminated in 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 activities	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.	1,161,762 (USD41,700 thousand)	Note 1	1,293,113 (USD41,700 thousand)	-	-	1,293,113 (USD41,700 thousand)	49,071	100.00%	49,071 Note 3	1,851,131	-	
Shenzhen Gather Electronics Science Co., Ltd.	Production and sales of electronic components, etc.	43,126 (RMB10,000 thousand)	Note 1	44,898 (RMB9,800 thousand)	-	-	44,898 (RMB9,800 thousand)	1,810	35.00%	1,255 Note 4	46,227	-	
Apaq Hubei	Production and sales of electronic components, etc.	111,440 (USD4,000 thousand)	Note 2	120,550 (USD4,000 thousand)	-	-	120,550 (USD4,000 thousand)	20,770	100.00%	20,770 Note 3	170,748	-	

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

2. Limits of 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 MOEAIC
1,458,561 (USD 45,700 thousand and RMB 9,800 thousand)	1,556,071 (USD 49,200 thousand) and RMB 9,800 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 NT dollars at the exchange rate on the balance sheet date. The amount of investment remitted in the current period is converted into NT dollars at previous exchange rates. The investment amount approved by Investment Commission, MOEA of USD 49,200 thousand and RMB 9,800 thousand is converted into NT dollars at previous exchange rates. In addition, as of June 30, 2021, there was still an approved investment amount of USD3,500 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 six months ended June 30, 2021.

(IV) Information on major shareholders:

			Unit: Shares
Name of Major Shareholder	Shareholding	No. of Shares Held	Shareholding %
Huacheng Venture Capital Co., Ltd.		10,668,012	11.99%
Prosperity Dielectrics Co., Ltd.		5,280,000	5.93%
TAIFLEX Scientific Co., Ltd.		5,264,000	5.91%
INPAQ Technology Co., Ltd.		4,776,329	5.36%
Walton Advanced Engineering, Inc.		4,591,000	5.16%

Note: The information on major shareholders in this table are shareholders holding more than 5% of the common and preference stocks that have completed

Notes to Consolidated Financial Statements of APAQ Technology Co., Ltd and Subsidiaries (continued)

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. Operating 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 sheet for segment information.