

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

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

For the Three Months Ended March 31, 2022 and 2021

Address: 4F., No.2 & 6, Kedong 3rd Rd., Chunan Township, Miaoli County
Tel: (037)777588 -

Notice to Reader

For the convenience of readers, the independent auditors' review report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and 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, 2022 and 2021, the related consolidated statements of comprehensive income, changes in equity, and cash flows for the three months then ended, and notes to 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\$84,472 thousand and NT\$76,697 thousand as of March 31, 2022 and 2021, respectively. The share of corporate profit recognized under the equity method were NT\$(293) thousand and NT\$1,031 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.

Qualified Conclusion

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, 2022 and 2021, and their consolidated financial performance and cash flows for the three months ended March 31, 2022 and 2021 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.

KPMG Taiwan

Chen, Cheng-Hsueh

Certified public accountant:

Wan-Yuan You

Securities Competent Authority
Approval No.

Jin-Guan-Zheng-Shen-Zi No.
: 1020002066
(88) Taiwan-Finance-
Securities-VI-18311

May 10, 2022

March 31, 2022 and 2021 Were Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards
APAQ TECHNOLOGY CO., LTD. and Subsidiaries
Consolidated Balance Sheets

March 31, 2022, December 31 and March 31, 2021

Unit: NT\$ thousand

Assets		2022.3.31		2021.12.31		2021.3.31		Liabilities and Equity		2022.3.31		2021.12.31		2021.3.31			
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%		
Current assets:								Current liabilities:									
1100	Cash and cash equivalents [Note VI(I)]	\$	954,770	20	828,178	18	737,809	18	2100	Short-term loans [Note VI(X)]	\$	1,326,000	27	1,306,000	28	955,000	23
1120	Financial assets at fair value								2170	Accounts payable		434,216	9	411,098	9	340,760	8
	through other comprehensive								2180	Accounts payable - related parties [Note							
	income - current [Note VI(II)]		126,228	3	138,239	3	186,516	5		VII]		3,852	-	5,430	-	3,165	-
1150	Notes receivable [Note VI(III)]		53,557	1	35,347	1	30,004	1	2201	Payroll and bonus payable		124,819	3	132,018	3	98,654	3
1170	Accounts receivable [Note VI(III)]		1,092,174	22	1,059,782	23	966,908	23	2213	Payables on equipment		37,401	1	40,938	1	37,331	1
1180	Accounts receivable - related parties								2280	Lease liabilities - current [Note VI(XIII)]		16,466	-	7,985	-	8,849	-
	[Notes VI(III) & VII]		50,813	1	49,460	1	33,005	1	2320	Bonds payable due within one year [Note							
1310	Inventories, net [Note VI(IV)]		729,848	15	697,174	15	514,410	12		VI(XII)]		-	-	-	-	126,300	3
1479	Other current assets [Note VI(VIII)]		55,317	1	61,535	1	47,076	1	2399	Other current liabilities		146,111	3	124,865	3	138,859	3
			3,062,707	63	2,869,715	62	2,515,728	61				2,088,865	43	2,028,334	44	1,708,918	41
Non-current assets:								Non-current liabilities:									
1517	Financial assets at fair value through								2540	Long-term loans [Note VI(XI)]		60,000	1	10,000	-	-	-
	other comprehensive income - non-								2580	Lease liabilities - non-current [Note							
	current [Note VI(II)]		128,178	3	129,807	3	139,504	3		VI(XIII)]		9,679	-	11,502	-	15,585	1
1550	Investments accounted for under the equity											69,679	1	21,502	-	15,585	1
	method [Note VI(V)]		84,472	2	83,075	2	76,697	2		Total Liabilities		2,158,544	44	2,049,836	44	1,724,503	42
1600	Property, plant and equipment [Note									Equity [Note VI(XII) & (XVI)]:							
	VI(VI)]		1,411,370	29	1,330,505	29	1,197,653	29	3100	Share capital		889,535	19	889,535	19	867,258	21
1755	Right-of-use assets [Note VI(VII)]		36,957	1	29,981	1	35,137	1	3200	Capital surplus		765,757	16	765,757	17	662,834	16
1780	Intangible assets [Note VI(IX)]		30,408	1	31,697	1	35,596	1	3300	Retained earnings		1,080,356	22	995,384	22	928,138	22
1840	Deferred income tax assets		37,611	1	54,401	1	47,910	1	3400	Other equity		(45,173)	(1)	(98,691)	(2)	(42,906)	(1)
1920	Refundable deposits [Note VIII]		27,073	-	26,263	-	26,239	1		Total equity		2,690,475	56	2,551,985	56	2,415,324	58
1990	Other non-current assets [Note VI(VIII)]		30,243	-	46,377	1	65,363	1									
			1,786,312	37	1,732,106	38	1,624,099	39		Total liabilities and equity	\$	4,849,019	100	4,601,821	100	4,139,827	100
Total assets		\$	4,849,019	100	4,601,821	100	4,139,827	100									

(Please 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

Three Months Ended March 31, 2022 and 2021

Unit: NT\$ thousands

		January to March, 2022		January to March, 2021	
		Amount	%	Amount	%
4110	Net sales revenue [Notes VI(XVIII) & VII]	\$ 736,094	100	654,687	100
5110	Cost of goods sold [Notes VI(XIX) & VII]	566,752	77	479,587	73
5950	Gross profit	169,342	23	175,100	27
6000	Operating expenses [Notes VI(XIX) & VII]:				
6100	Selling expenses	27,374	4	21,971	3
6200	Administrative expenses	52,270	7	39,050	6
6300	Research and development expenses	22,483	3	25,091	4
	Total operating expenses	102,127	14	86,112	13
6900	Operating profit	67,215	9	88,988	14
7000	Non-operating income and expenses:				
7100	Interest income [Notes VI(XX)]	736	-	344	-
7020	Other gains and losses [Notes VI(XX)]	7,408	1	4,695	1
7050	Finance costs [Notes VI(XII), (XIII) & (XX)]	(3,534)	-	(3,406)	-
7230	Foreign exchange gain (loss), net [Note VI(XXI)]	41,798	6	1,883	-
7060	Share of profit or loss of associates accounted for under the equity method [Note VI(V)]	(293)	-	1,031	-
	Non-operating income and expenses, net	46,115	7	4,547	1
7900	Net profit before income tax	113,330	16	93,535	15
7950	Less: Income tax expense [Note VI(XV)]	28,358	4	23,426	4
8200	Net income for the period	84,972	12	70,109	11
8300	Other comprehensive income/(loss):				
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	(13,640)	(2)	50,602	8
	Total of items that may not be reclassified subsequently to profit or loss	(13,640)	(2)	50,602	8
8360	Items that may be reclassified subsequently to profit or loss				
8361	Financial statements translation differences of foreign operations	83,947	11	(10,259)	(1)
8399	Less: Income tax related to items that may be reclassified [Note VI(XV)]	(16,789)	(2)	2,052	-
	Total of items that may be reclassified subsequently to profit or loss	67,158	9	(8,207)	(1)
8300	Other comprehensive income, net of tax	53,518	7	42,395	7
	Total comprehensive income for the period	\$ 138,490	19	112,504	18
	Earnings per share (Unit: NT\$) [Note VI(XVII)]				
9750	Basic earnings per share	\$ 0.96		0.82	
9850	Diluted earnings per share	\$ 0.95		0.79	

(Please 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

Three Months Ended March 31, 2022 and 2021

Unit: NT\$ thousand

									Other equity items			
	Share capital			Retained earnings					Financial statements translation differences of foreign operations	Gains (losses) on equity instruments investment at fair value through other comprehensive income	Total	Total equity
	Share capital - common stocks	Capital collected in advance	Total	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total				
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	-	-	-	-	-	-	70,109	70,109	-	-	-	70,109
Other comprehensive income for the period	-	-	-	-	-	-	-	-	(8,207)	50,602	42,395	42,395
Total comprehensive income for the period	-	-	-	-	-	-	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	<u>\$ 845,248</u>	<u>22,010</u>	<u>867,258</u>	<u>662,834</u>	<u>139,955</u>	<u>121,763</u>	<u>666,420</u>	<u>928,138</u>	<u>(94,678)</u>	<u>51,772</u>	<u>(42,906)</u>	<u>2,415,324</u>
Balance as of January 1, 2022	<u>\$ 889,535</u>	-	889,535	765,757	166,116	85,301	743,967	995,384	(92,490)	(6,201)	(98,691)	2,551,985
Net income for the period	-	-	-	-	-	-	84,972	84,972	-	-	-	84,972
Other comprehensive income for the period	-	-	-	-	-	-	-	-	67,158	(13,640)	53,518	53,518
Total comprehensive income for the period	-	-	-	-	-	-	84,972	84,972	67,158	(13,640)	53,518	138,490
Balance as of March 31, 2022	<u>\$ 889,535</u>	-	889,535	765,757	166,116	85,301	828,939	1,080,356	(25,332)	(19,841)	(45,173)	2,690,475

(Please see the attached notes to consolidated financial statements)

Chairman: Dr. DJ Zheng

Manager: Shi-dong Lin

Accounting Manager: Pei-Ling Li

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APAQ TECHNOLOGY CO., LTD. and Subsidiaries

Consolidated Statements of Cash Flows

Three Months Ended March 31, 2022 and 2021

Unit: NT\$ thousands

	January to March, 2022	January to March, 2021
Cash flows from operating activities:		
Income before income tax for the period	\$ 113,330	93,535
Adjustments:		
Income and expenses having no effect on cash flows		
Depreciation expenses	62,023	51,350
Amortization expenses	1,299	1,297
Interest expense	3,534	3,406
Interest income	(736)	(344)
Share of corporate profit or loss recognized under the equity method	293	(1,031)
Loss (gain) on disposal of property, plant and equipment	(25)	406
Other non-cash expense (gain) items, net	58	-
Total income and expense items	<u>66,446</u>	<u>55,084</u>
Changes in operating assets and liabilities:		
Notes and accounts receivable (including related parties)	(21,669)	26,861
Inventories	(13,414)	27,969
Other operating assets	8,411	7,849
Accounts payable (including related parties)	(3,803)	(86,194)
Other operating liabilities	(6,027)	(3,834)
Total adjustments	<u>29,944</u>	<u>27,735</u>
Cash generated from operations	143,274	121,270
Interest received	737	344
Interest paid	(3,363)	(2,219)
Income tax paid	<u>(12,256)</u>	<u>(41,323)</u>
Net cash generated from operating activities	<u>128,392</u>	<u>78,072</u>
Cash flows from investing activities:		
Acquisition of investments accounted for under the equity method	-	(30,000)
Acquisition of property, plant and equipment	(68,785)	(41,098)
Disposal of property, plant and equipment	26	-
Acquisition of intangible assets	-	(100)
Increase in other non-current assets	1,057	(338)
Increase in prepayments for business facilities	<u>(8,624)</u>	<u>(38,357)</u>
Net cash used in investing activities	<u>(76,326)</u>	<u>(109,893)</u>
Cash flows from financing activities:		
Increase in short-term loans	20,000	90,000
Long-term borrowings	50,000	-
Repayment of lease principal	<u>(6,823)</u>	<u>(2,349)</u>
Net cash flows generated from (used in) financing activities	<u>63,177</u>	<u>87,651</u>
Effect of exchange rate changes	<u>11,349</u>	<u>(1,535)</u>
Increase in cash and cash equivalents	126,592	54,295
Cash and cash equivalents, beginning of the period	828,178	683,514
Cash and cash equivalents, end of the period	<u><u>\$ 954,770</u></u>	<u><u>737,809</u></u>

(Please 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 Three Months Ended March 31, 2022 and 2021
(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 10, 2022, 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 (hereinafter referred to as the "FSC").

Since January 1, 2022, the consolidated company has adopted below newly amended IFRSs which does 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"

- (II) 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:

<u>New or amended standards</u>	<u>Major amendments</u>	<u>Effective Date Issued by IASB</u>
Amendment to IAS 1 "Disclosure of Accounting Policies"	The Amendments to IAS 1 include: <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; and• 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

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

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 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, 2021. Please refer to Note IV of the consolidated financial statements for the year ended December 31, 2021 for details.

(II) Basis of consolidation

1. Subsidiaries included in the consolidated financial statements

<u>Name of Investor</u>	<u>Name of subsidiary</u>	<u>Main business activities</u>	<u>Percentage of Ownership</u>		
			<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
The Company	APAQ Investment Limited (APAQ Samoa)	Investment holding company	100%	100%	100%
The Company	Apaq Technology (Hubei) Co., Ltd., (Apaq Hubei)	Production and sales of electronic products	100%	100%	100%
APAQ Samoa	Apaq Technology (Wuxi) Co., Ltd., (Apaq Wuxi)	Production and sales of electronic products	100%	100%	100%

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

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

(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 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, 2021.

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, 2021. Please refer to Note VI of the consolidated financial statements for the year ended December 31, 2021 for relevant information.

(I) Cash and cash equivalents

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Cash and demand deposit	\$ 909,678	741,236	694,385
Time deposits	45,092	86,942	43,424
Cash and cash equivalents	<u>\$ 954,770</u>	<u>828,178</u>	<u>737,809</u>

Please refer to Note VI(XXI) for currency risk and sensitivity analysis disclosure of the financial assets and liabilities.

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

1. Current:

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Domestic listed stocks	<u>\$ 126,228</u>	<u>138,239</u>	<u>186,516</u>

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

2. Non-current:

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Domestic and foreign unlisted common stocks			
Foxfortune Technology Ventures Limited \$	36,425	37,132	52,531
Inpaq Korea Co., Ltd.	1,792	1,827	1,723
Element I Venture Capital Co., Ltd.	16,526	17,895	17,259
Kuan Kun Electronic Enterprise Co., Ltd.	61,701	61,234	59,391
AICP Technology Corporation	1,110	1,143	1,500
Yuanxin Semiconductor Co., Limited	10,624	10,576	7,100
	<u>\$ 128,178</u>	<u>129,807</u>	<u>139,504</u>

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

	<u>2022.3.31</u>			<u>2021.12.31</u>			<u>2021.3.31</u>		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
USD	\$ 1,017	28.625	29,112	1,017	27.68	28,151	1,017	28.535	29,020

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>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Notes receivable	\$ 53,557	35,347	30,004
Accounts receivable	1,092,174	1,059,782	966,908
Accounts receivable - related parties	50,813	49,460	33,005
	<u>\$ 1,196,544</u>	<u>1,144,589</u>	<u>1,029,917</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:

	<u>2022.3.31</u>		
	Carrying amount of accounts receivable (including related parties)	Ratio of loss on lifetime expected credit	Allowance of lifetime expected credit loss
Not past due	\$ 1,189,214	0%	-
Past due 1-90 days	7,330	0%	-
Total	<u>\$ 1,196,544</u>		<u>-</u>

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

	2021.12.31		
	Carrying amount of accounts receivable (including related parties)	Ratio of loss on lifetime expected credit	Allowance of lifetime expected credit loss
Not past due	\$ 1,131,671	0%	-
Past due 1-90 days	12,918	0%	-
Total	\$ 1,144,589		-

	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%	-
Past due 1-90 days	3,556	0%	-
Total	\$ 1,029,917		-

No impairment loss has been provided for receivables (including related parties) for the three months ended March 31, 2022 and 2021.

(IV) Inventories, net

	2022.3.31	2021.12.31	2021.3.31
Raw materials	\$ 234,428	214,255	212,835
Work in process and semi-finished products	83,928	79,376	64,879
Finished goods and commodity	411,492	403,543	236,696
	\$ 729,848	697,174	514,410
		January to March, 2022	January to March, 2021
Cost of goods sold		\$ 566,752	479,587
Loss on market value decline and obsolete and slow-moving inventories		-	-
		\$ 566,752	479,587

(V) Investments accounted for under the equity method

Investments of the consolidated company under equity method at financial reporting end date are individually non-significant and are listed below:

	2022.3.31	2021.12.31	2021.3.31
Associate	\$ 84,472	83,075	76,697

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

Share attributable to the consolidated company:

	January to March, 2022	January to March, 2021
Net income (loss)	\$ (293)	1,031
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>\$ (293)</u>	<u>1,031</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

	Buildings	Machinery and equipment	Other equipment and others	Construction in progress and equipment to be tested	Total
Cost:					
Balance as of January 1, 2022	\$ 374,665	1,788,724	179,724	225,930	2,569,043
Additions	-	23,857	760	64,454	89,071
Disposals and obsolescence	-	(1,380)	(257)	-	(1,637)
Reclassifications	-	48,821	89	(48,968)	(58)
Effect of exchange rate changes	13,963	62,508	4,464	8,921	89,856
Balance as of March 31, 2022	<u>\$ 388,628</u>	<u>1,922,530</u>	<u>184,780</u>	<u>250,337</u>	<u>2,746,275</u>
Balance as of January 1, 2021	\$ 363,157	1,604,911	130,737	131,927	2,230,732
Additions	4,113	21,423	3,150	40,697	69,383
Disposals and obsolescence	-	(3,095)	(906)	-	(4,001)
Reclassifications	8,860	28,891	68	(37,871)	(52)
Effect of exchange rate changes	(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>
Depreciation:					
Balance as of January 1, 2022	\$ 166,899	974,161	97,478	-	1,238,538
Depreciation for the period	7,204	39,314	8,599	-	55,117
Disposals and obsolescence	-	(1,380)	(256)	-	(1,636)
Effect of exchange rate changes	6,117	34,599	2,170	-	42,886
Balance as of March 31, 2022	<u>\$ 180,220</u>	<u>1,046,694</u>	<u>107,991</u>	<u>-</u>	<u>1,334,905</u>
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 changes	(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>

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

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Other equipment and others</u>	<u>Construction in progress and equipment to be tested</u>	<u>Total</u>
Carrying Amount:					
March 31, 2022	<u>\$ 208,408</u>	<u>875,836</u>	<u>76,789</u>	<u>250,337</u>	<u>1,411,370</u>
January 1, 2022	<u>\$ 207,766</u>	<u>814,563</u>	<u>82,246</u>	<u>225,930</u>	<u>1,330,505</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>

(VII) Right-of-use assets

	<u>Land use rights</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost of right-of-use assets:				
Balance as of January 1, 2022	\$ 11,631	39,940	1,567	53,138
Additions	-	13,366	-	13,366
Deduction	-	(593)	-	(593)
Effect of exchange rate changes	434	171	-	605
Balance as of March 31, 2022	<u>\$ 12,065</u>	<u>52,884</u>	<u>1,567</u>	<u>66,516</u>
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>
Depreciation of right-of-use assets:				
Balance as of January 1, 2022	\$ 864	22,031	262	23,157
Depreciation for the period	76	6,699	131	6,906
Deduction	-	(593)	-	(593)
Effect of exchange rate changes	31	58	-	89
Balance as of March 31, 2022	<u>\$ 971</u>	<u>28,195</u>	<u>393</u>	<u>29,559</u>
Balance as of January 1, 2021	\$ 578	13,529	966	15,073
Depreciation for the period	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>
Carrying amount of right-of-use assets:				
March 31, 2022	<u>\$ 11,094</u>	<u>24,689</u>	<u>1,174</u>	<u>36,957</u>
January 1, 2022	<u>\$ 10,767</u>	<u>17,909</u>	<u>1,305</u>	<u>29,981</u>
March 31, 2021	<u>\$ 10,970</u>	<u>24,167</u>	<u>-</u>	<u>35,137</u>

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

(VIII) Other assets - current and non-current

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Prepayments for business facilities deposit	\$ 16,199	31,737	53,499
Business tax credit	21,147	29,744	25,213
Prepaid expenses	29,358	24,961	18,920
Deferred expenses	14,044	14,640	11,864
Prepayments for goods and others	<u>4,812</u>	<u>6,830</u>	<u>2,943</u>
	<u>\$ 85,560</u>	<u>107,912</u>	<u>112,439</u>

(IX) Intangible assets

	<u>Computer software</u>	<u>Royalty fees</u>	<u>Total</u>
Carrying Amount:			
March 31, 2022	<u>\$ 1,947</u>	<u>28,461</u>	<u>30,408</u>
January 1, 2022	<u>\$ 2,297</u>	<u>29,400</u>	<u>31,697</u>
March 31, 2021	<u>\$ 3,381</u>	<u>32,215</u>	<u>35,596</u>

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, 2022 and 2021. Please refer to Note XII for amortization amount for the period and Note VI(IX) of the consolidated financial statements for the year ended December 31, 2021 for other relevant information.

(X) Short-term loans

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Unsecured bank loans	<u>\$ 1,326,000</u>	<u>1,306,000</u>	<u>955,000</u>
Unused limit	<u>\$ 727,868</u>	<u>713,966</u>	<u>891,116</u>
Interest rate range	<u>0.88%~</u> <u>1.35%</u>	<u>0.88%~</u> <u>1.1%</u>	<u>0.88%~</u> <u>1.03%</u>

(XI) Long-term loans

	<u>2022.3.31</u>	<u>2021.12.31</u>
Unsecured bank loans	<u>\$ 60,000</u>	<u>10,000</u>
Unused limit	<u>\$ 740,000</u>	<u>790,000</u>
Interest rate range	<u>1.32%~</u> <u>1.45%</u>	<u>1.31978%</u>

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

(XII) Convertible bonds payable

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:

	2021.12.31	2021.3.31
Total amount of issuing convertible corporate bonds	\$ 250,000	250,000
Less: Unamortized payable corporate bond discount	-	-
Less: Accumulated converted ordinary shares	(248,900)	(123,700)
Less: long-term liabilities due within one year	-	(126,300)
Less: Repayment upon maturity	(1,100)	-
Balance of bonds payable, end of the period	<u>\$ -</u>	<u>-</u>

	January to March, 2021
Interest expense	<u><u>\$ 1,107</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 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 was NT\$56.2 on April 27, 2021 (maturity date).

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.

For other relevant information of unsecured convertible corporate bonds of the Company, please refer to Note VI(XXII) of the consolidated financial statements for the year ended December 31, 2021.

(XIII) Lease liabilities

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

	2022.3.31	2021.12.31	2021.3.31
Current	<u>\$ 16,466</u>	<u>7,985</u>	<u>8,849</u>
Non-current	<u>\$ 9,679</u>	<u>11,502</u>	<u>15,585</u>

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

	January to March, 2022	January to March, 2021
Interest expense of lease liabilities	<u>\$ 99</u>	<u>75</u>
Expense for leases of low-value items	<u>\$ 19</u>	<u>18</u>

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

The amounts recognized in the statements of cash flows are:

	January to March, 2022	January to March, 2021
Total cash outflow for lease	<u>\$ 6,941</u>	<u>2,442</u>

1. Leasing of houses and buildings

The consolidated company leased houses and buildings as office premises and factory buildings as of March 31, 2022 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.

(XIV) Employee benefits

For pension expenses of the consolidated company for the three months ended March 31, 2022 and 2021, please refer to Note XII for details.

(XV) Income tax

1. Income tax expense

The amount of the consolidated company's income tax expenses for the three months ended March 31, 2022 and 2021 was as follows:

	January to March, 2022	January to March, 2021
Current income tax expenses	<u>\$ 28,358</u>	<u>23,426</u>

2. The amount of income tax expense recognized in other comprehensive income was as follows:

	January to March, 2022	January to March, 2021
Exchange differences on translation of foreign operations	<u>\$ 16,789</u>	<u>(2,052)</u>

3. The ROC income tax authorities have examined the Company's income tax returns through 2019.

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

(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, 2022 and 2021. Please refer to Note VI(XVI) of the consolidated financial statements for the year ended December 31, 2021 for details.

1. Share capital

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

	Ordinary shares	
	January to March, 2022	January to March, 2021
Balance as of January 1	88,954	84,525
Conversion of convertible corporate bonds	-	2,201
Balance as of March 31	<u>88,954</u>	<u>86,726</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. As of March 31, 2022, it has completed the statutory registration procedures.

2. Capital surplus

	2022.3.31	2021.12.31	2021.3.31
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	117	6,039
Treasury stock transactions	3,642	3,642	3,642
Premium from conversion of corporate bonds to common stocks	433,380	433,380	324,535
	<u>\$ 765,757</u>	<u>765,757</u>	<u>662,834</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 February 10, 2022 and approved in the shareholders' meeting held on August 24, 2021, respectively. Information on dividends appropriated to owners is as follows:

	2021		2020	
	Dividends per share	Amount	Dividends per share	Amount
Dividends distributed to owners of ordinary shares:				
Cash (NT\$)	\$	2 <u>177,907</u>	1.9	<u>169,012</u>

The 2020 appropriation of earnings is consistent with the resolutions approved by the Board of Directors. The 2021 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)

	January to March, 2022	January to March, 2021
Basic EPS:		
Net income attributable to the Company	\$ <u>84,972</u>	<u>70,109</u>
Weighted-average number of ordinary shares (in thousands)	<u>88,954</u>	<u>85,210</u>
Basic EPS (NT\$)	\$ <u>0.96</u>	<u>0.82</u>
Diluted EPS:		
Net income attributable to the Company	\$ 84,972	70,109
Post-tax interest on convertible corporate bonds	-	886
Net income attributable to share capital of common stocks	\$ <u>84,972</u>	<u>70,995</u>
Weighted-average number of ordinary shares (in thousands)	88,954	85,210
Effect of potential diluted ordinary shares:		
Employee compensation to be distributed in stocks	440	431
Convertible corporate bonds	-	3,764
Weighted-average number of outstanding shares for the calculation of diluted EPS (in thousands of shares)	<u>89,394</u>	<u>89,405</u>
Diluted EPS (NT\$)	\$ <u>0.95</u>	<u>0.79</u>

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

(XVIII) Revenue of customer contract

	January to March, 2022	January to March, 2021
Revenues from major regional markets:		
China	\$ 681,083	617,645
Taiwan	52,128	36,641
Other Countries	2,883	401
	\$ 736,094	654,687
Major products		
Coiled conductive polymer solid state capacitors	\$ 582,204	548,537
Chip-type conductive polymer solid state capacitors	153,890	106,150
	\$ 736,094	654,687

(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, 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\$10,189 thousand and NT\$8,450 thousand as employee compensation and NT\$2,997 thousand and NT\$2,485 thousand as remuneration for Directors for the three months ended March 31, 2022 and 2021, 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. Difference between amount distributed and accrued will be regarded as changes in accounting estimates and 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, 2021 were NT\$33,222 thousand and NT\$9,760 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, 2022	January to March, 2020
Interests on bank deposits	\$ 732	340
Other interest income	4	4
	\$ 736	344

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

2. Other gains and losses, net

	January to March, 2022	January to March, 2021
Subsidy income	\$ 6,530	4,466
Gains (losses) on disposal of property, plant and equipment	25	(406)
Other	853	635
	<u>\$ 7,408</u>	<u>4,695</u>

3. Finance costs

	January to March, 2022	January to March, 2021
Interest expenses of corporate bonds	\$ -	1,107
Interest expenses of loans	3,435	2,224
Interest expense of lease liabilities	99	75
	<u>\$ 3,534</u>	<u>3,406</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 consolidated financial statements for the year ended December 31, 2021 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, 2022, December 31, 2021 and March 31, 2021, 41%, 43%, and 46% 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.

Other receivable - related parties and time deposits are the financial assets having 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, 2021 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>
March 31, 2022					
Non-derivative financial liabilities					
Short-term loans	\$ 1,326,000	1,327,706	1,327,706	-	-
Accounts payable (including related parties)	438,068	438,068	438,068	-	-
Payroll and bonus payable	124,819	124,819	124,819	-	-
Payables on equipment	37,401	37,401	37,401	-	-
Lease liabilities (including current and non-current)	26,145	26,315	12,840	3,707	9,768
Accrued expense (recorded as other current liabilities)	64,086	64,086	64,086	-	-
Long-term loans	60,000	63,581	423	434	62,724
	\$ 2,076,519	2,081,976	2,005,343	4,141	72,492
December 31, 2021					
Non-derivative financial liabilities					
Short-term loans	\$ 1,306,000	1,307,603	1,307,603	-	-
Accounts payable (including related parties)	416,528	416,528	416,528	-	-
Payroll and bonus payable	132,018	132,018	132,018	-	-
Payables on equipment	40,938	40,938	40,938	-	-
Lease liabilities (including current and non-current)	19,487	19,786	4,457	3,707	11,622
Accrued expense (recorded as other current liabilities)	61,334	61,334	61,334	-	-
Long-term loans	10,000	10,500	65	67	10,368
	\$ 1,986,305	1,988,707	1,962,943	3,774	21,990
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	-	-
Payables 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
Accrued expense (recorded as other current liabilities)	67,534	67,534	67,534	-	-
	\$ 1,526,878	1,528,763	1,508,460	4,492	15,811

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 were as follows:										
	2022.3.31				2021.12.31			2021.3.31		
	Foreign currency	Exchange rate	NTD		Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>										
<u>Monetary items</u>										
USD	\$	49,059	28.625	1,404,314	46,768	27.68	1,294,538	41,201	28.535	1,175,671
RMB		69,813	4.5092	314,801	64,870	4.3471	281,996	55,332	4.3424	240,274
<u>Financial liabilities</u>										
<u>Monetary items</u>										
USD		2,300	28.625	65,838	2,550	27.68	70,584	2,524	28.535	72,022

(2) Sensitivity analysis

The consolidated company's exposure to foreign currency risk mainly arises from exchange gains and losses of cash, receivables, short-term loans, accounts payable, and other payables that are denominated in US dollars and RMB. Changes in net income for the three months ended March 31, 2022 and 2021 due to depreciation or appreciation of NTD against USD and RMB as of March 31, 2022 and 2021 with all other variables held constant were as follows:

	Range of the fluctuations	January to March, 2022	January to March, 2021
TWD exchange rate	1% depreciation against USD	\$ <u>10,708</u>	<u>8,829</u>
	1% appreciation against USD	\$ <u>(10,708)</u>	<u>(8,829)</u>
	1% depreciation against RMB	\$ <u>2,518</u>	<u>1,922</u>
	1% appreciation against RMB	\$ <u>(2,518)</u>	<u>(1,922)</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 gains (including realized and unrealized) for the three months ended March 31, 2022 and 2021 were NT\$41,798 thousand and NT\$1,883 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.

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 three months ended March 31, 2022 and 2021 due to changes in interest rate with all other variables held constant were as follows:

	Range of the fluctuations	January to March, 2022	January to March, 2021
Annual interest rate	Increase of 1%	\$ <u>(2,772)</u>	<u>(1,910)</u>
	Decrease of 1%	\$ <u>2,772</u>	<u>1,910</u>

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

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:

Securities price on reporting date	January to March, 2022		January to March, 2021	
	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%	\$ 2,544	-	3,260	-
Decrease of 1%	(2,544)	-	(3,260)	-

6. Fair value and information

(1) Type and fair value of financial instruments

The consolidated company's financial assets at fair value through profit and loss or through other comprehensive income are measured at fair value on a recurring basis. The carrying amount and fair value of financial assets and liabilities (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 lease liabilities is not required to be disclosed) were as follows:

	2022.3.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income - current					
Domestic listed stocks	\$ 126,228	126,228	-	-	126,228
Financial assets at fair value through other comprehensive income - non-current					
Domestic unlisted stocks	\$ 128,178	-	-	128,178	128,178
	2021.12.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income - current					
Domestic listed stocks	\$ 138,239	138,239	-	-	138,239
Financial assets at fair value through other comprehensive income - non-current					
Domestic unlisted stocks	\$ 129,807	-	-	129,807	129,807

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

	2021.3.31				
	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>\$ 186,516</u>	<u>186,516</u>	<u>-</u>	<u>-</u>	<u>186,516</u>
Financial assets at fair value through other comprehensive income - non-current					
Domestic unlisted stocks	<u>\$ 139,504</u>	<u>-</u>	<u>-</u>	<u>139,504</u>	<u>139,504</u>
Convertible corporate bonds payable (including bonds due within one year)	<u>\$ 126,300</u>	<u>150,689</u>	<u>-</u>	<u>-</u>	<u>150,689</u>

(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 redemption rights of embedded derivatives are based on an appropriate option pricing model.
- B. If the financial instruments held by the consolidated company belong to an inactive market, the fair value is estimated using the net asset value method and the market approach. 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; the market approach is based on the price-to-book value ratio of the same trade concerned.

(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, 2022	\$ 129,807
Recognized in other comprehensive income	(1,629)
Balance as of March 31, 2022	<u>\$ 128,178</u>
Balance as of January 1, 2021	\$ 136,944
Recognized in other comprehensive income	2,560
Balance as of March 31, 2021	<u>\$ 139,504</u>

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

The abovementioned total gain or loss is recorded and reported under “unrealized valuation gains (losses) from investments in equity instruments at fair value through other comprehensive income.”

(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
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% for 2022.3.31, 2021.12.31 and 2021.3.31) 	<ul style="list-style-type: none"> The higher the value of net asset, the higher the fair value. 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 (1.27~1.28 for 2022.3.31) Marketability discount (30% for 2022.3.31) 	<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, 2021.

(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, 2021. 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, 2021. For relevant information, please refer to Note VI(XXIII) of the consolidated financial statements for the year ended December 31, 2021.

(XXIV) Non-cash financing activities

The consolidated company's non-cash investing and financing activities for the three months ended March 31, 2022 and 2021 were as follows:

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

	2022.1.1	Cash flow	Non-cash changes		2022.3.31
			Change in Exchange fluctuations	Other changes	
Short-term loans	\$ 1,306,000	20,000	-	-	1,326,000
Lease liabilities	19,487	(6,823)	115	13,366	26,145
Long-term loans	10,000	50,000	-	-	60,000
	<u>\$ 1,335,487</u>	<u>63,177</u>	<u>115</u>	<u>13,366</u>	<u>1,412,145</u>

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

	2021.1.1	Cash flow	Non-cash changes		2021.3.31
			Change in Exchange fluctuations	Other changes	
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>

VII. Related Party Transactions

(I) Related parties' name and relationships

Name of related party	Relationship with the consolidated company
Shenzhen Gather Electronics Science Co., Ltd.	An associate to the consolidated company
Hubei Gather Electronics Science Co., Ltd.(Note)	An associate to the consolidated company
INPAQ Technology Co., Ltd.	Key management of the consolidated company

Note: Hubei Gather Electronics Science is a subsidiary of Shenzhen Gather Electronics Science.

(II) Significant transactions with related parties

1. Operating revenue

	January to March, 2022	January to March, 2021
Shenzhen Gather Electronics Science Co., Ltd.	\$ -	11,883
Hubei Gather Electronics Science Co., Ltd.	18,191	-
	<u>\$ 18,191</u>	<u>11,883</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 conditions of the related parties are from 120 days to 150 days based on the monthly statement. The credit conditions of general customers are determined by the individual client's past transaction experience and the results of debt evaluation. The range is between 60 to 150 days.

2. Purchases

	January to March, 2022	January to March, 2021
Shenzhen Gather Electronics Science Co., Ltd.	\$ -	1,823
Hubei Gather Electronics Science Co., Ltd.	2,051	-
	<u>\$ 2,051</u>	<u>1,823</u>

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 90 days from end of month for related parties.

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

3. Receivables from related parties

Financial Statement Account	Category of related parties	2022.3.31	2021.12.31	2021.3.31
Accounts receivable	Shenzhen Gather Electronics Science Co., Ltd.	\$ 2,280	22,637	32,739
	Hubei Gather Electronics Science Co., Ltd.	47,974	26,161	-
		\$ 50,254	48,798	32,739

4. Payables to related parties

Financial Statement Account	Category of related parties	2022.3.31	2021.12.31	2021.3.31
Accounts payable	Hubei Gather Electronics Science Co., Ltd.	\$ 3,852	5,430	-
	Shenzhen Gather Electronics Science Co., Ltd.	-	-	3,165
		\$ 3,852	5,430	3,165

5. Other transactions

The consolidated company engaged in contracts associated with winding machines with related parties. Service income generated were both NT\$632 thousand for the three months ended March 31, 2022 and 2021, respectively. As of March 31, 2022, December 31 and March 31, 2021, receivables from related parties from the above transactions amounted to NT\$559 thousand, NT\$662 thousand, and NT\$266 thousand, respectively.

(III) Transactions with key management personnel

Remuneration of major managerial personnel includes:

	January to March, 2022	January to March, 2021
Short-term employee benefits	\$ 11,915	7,769
Post-employment benefits	108	103
	\$ 12,023	7,872

VIII. Pledged Assets

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

Pledged Assets	Purpose of Pledge	2022.3.31	2021.12.31	2021.3.31
Refundable deposits	Purchase guarantee, investment guarantee, etc.	\$ 27,073	26,263	26,239

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	January to March, 2022			January to March, 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary expense	83,684	54,007	137,691	53,035	47,717	100,752
Labor and health insurance expense	331	2,827	3,158	314	1,859	2,173
Pension expense	247	1,069	1,316	177	997	1,174
Other employee benefits expenses	1,328	2,128	3,456	1,122	1,679	2,801
Depreciation expenses	50,424	11,599	62,023	40,669	10,681	51,350
Amortization expenses	222	1,077	1,299	29	1,268	1,297

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 Name	Value	Limit on loans granted to a single party	Total limit on loans
0	The Company	Apac Wuxi	Other accounts receivable - related parties	Yes	171,750	171,750	-	-	Business transaction	1,845,092		-		-	1,076,190	1,076,190
0	The Company	Apac Hubei	Other accounts receivable - related parties	Yes	171,750	171,750	-	-	Short-term financing	-	Business Needs of Subsidiary	-		-	1,076,190	1,076,190

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 CPAs in the most recent period.

2. Endorsement or guarantee provided to others:

No.	Name of Endorser/Guarantee Provider	Subject of endorsements/guarantees Name	Relationship	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
0	The Company	Apac Wuxi	Subsidiary	2,690,475	200,375	200,375	-	-	7.45%	2,690,475	Y	N	Y
0	The Company	Apac Hubei	Subsidiary	2,690,475	200,375	200,375	-	-	7.45%	2,690,475	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 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 account	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 - non-current-	4,710	126,228	4.64%	126,228	
The Company	Foxfortune Technology Ventures Limited	None	Financial assets at fair value through other comprehensive income - non-current-	1,000	36,425	5.80%	36,425	
The Company	Inpaq Korea	None	Financial assets at fair value through other comprehensive income - non-current-	18	1,792	10.73%	1,792	
The Company	Element I Venture Capital Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current-	1,800	16,526	3.64%	16,526	
The Company	Kuan Kun Electronic Enterprise Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current-	3,770	61,701	5.39%	61,701	
The Company	AICP Technology Corporation	None	Financial assets at fair value through other comprehensive income - non-current-	240	1,110	3.20%	1,110	
The Company	Yuanxin Semiconductor Co., Limited	None	Financial assets at fair value through other comprehensive income - non-current-	800	10,624	8.00%	10,624	

- Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital: None.
- Acquisition of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: None.
- Disposal of individual real estate at prices of at least NT\$300 million or 20 percent of the paid-in capital: None
- 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	466,638	63 %	60 days from end of month	-	Note 1	446,172	99.00%	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.

- Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital: None.
- Trading in derivative instruments: Please refer to Notes VI(XII).
- Parent-subsidiary company business relation and significant transactions:

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	466,638	60 days from end of month	63%
0	The Company	Apaq Wuxi	Parent company to a subsidiary	Sales	19,808	60 days from end of month	3%

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

0	The Company	Apaq Wuxi	Parent company to a subsidiary	Accounts receivable	34,318	-	1%
0	The Company	Apaq Wuxi	Parent company to a subsidiary	Accounts payable	446,172	-	9%

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

(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%	2,040,364	7,443	(14)	Subsidiary, Note 1 and Note 2 Associate
The Company	AiPAQ Technology	Taiwan	Production and sales of electronic components, etc.	30,000	30,000	3,000	30.00%	28,979	(1,526)	(458)	
The Company	JDX Enterprise	Taiwan	Production and sales of electronic components, etc.	7,000	7,000	700	45.16%	5,454	(1,268)	(573)	

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 activities	Paid-in Capital (Note 4)	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 4)	Recovery							
Apac Wuxi	Production and sales of electronic components, etc.	1,248,605 (USD41,700 thousand)	Note 1	1,293,113 (USD41,700 thousand)	-	-	1,293,113 (USD41,700 thousand)	8,686	100.00%	8,686 Note 3	2,027,293	-	Note 5
Shenzhen Gather Electronics Science Co., Ltd.	Production and sales of electronic components, etc.	45,902 (RMB10,000 thousand)	Note 1	44,898 (RMB9,800 thousand)	-	-	44,898 (RMB9,800 thousand)	552	35.00%	738 Note 4	50,039	-	
Apac Hubei	Production and sales of electronic components, etc.	242,613 (USD8,000 thousand)	Note 2	176,263 (USD6,000 thousand)	55,699	-	231,962 (USD8,000 thousand)	1,289	100.00%	11,248 Note 3	313,406	-	Note 5

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
1,569,973 (USD49,700 thousand and RMB9,800 thousand)	1,627,223 (USD51,700 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: Related transactions and closing balances have been eliminated from 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 51,700 thousand and RMB 9,800 thousand is converted into NT dollars at previous exchange rates. In addition, as of March 31, 2022, 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

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

Mainland China set by the Investment Commission, MOEA no longer apply.

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

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, 2022.

(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%
TAIFLEX Scientific Co., Ltd.		6,139,000	6.90%
Prosperity Dielectrics Co., Ltd.		5,280,000	5.93%
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 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.