

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

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

For the Nine Months Ended September 30, 2022 and 2021

Address: 4F., No.2 & 6, Kedong 3rd Rd., Chunan Township, Miaoli County
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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 consolidated balance sheets of APAQ TECHNOLOGY CO., LTD. and its subsidiaries as of September 30, 2022 and 2021; the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2022 and 2021, the consolidated statements of changes in equity and consolidated statements of cash flows for the nine-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\$84,209 thousand and NT\$85,323 thousand as of September 30, 2022 and 2021, respectively. The share of profits (losses) of associates accounted for under the equity method were NT\$(2,052) thousand, NT\$2,261 thousand, NT\$(2,940) thousand and NT\$3,460 thousand for the three months and nine 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 its subsidiaries as of September 30, 2022 and 2021, and its consolidated financial performance for the three months and nine months ended September 30, 2022 and 2021 and its consolidated cash flows for the nine 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

CPAs:

Securities Competent Authority Jin-Guan-Zheng-Shen-Zi No. 1020002066
Approval No. : (88) Taiwan-Finance-Securities-VI-18311
November 11, 2022

**September 30, 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

September 30, 2022, December 31 and September 30, 2021

Unit: NT\$ thousand

| | | 2022.9.30 | | 2021.12.31 | | 2021.9.30 | | | | 2022.9.30 | | 2021.12.31 | | 2021.9.30 | |
|---------------------|---|--------------|-----|------------|-----|-----------|-----|--------------------------------|---|--------------|-----|------------|-----|-----------|-----|
| Assets | | Amount | % | Amount | % | Amount | % | Liabilities and Equity | | Amount | % | Amount | % | Amount | % |
| Current assets: | | | | | | | | Current liabilities: | | | | | | | |
| 1100 | Cash and cash equivalents [Note VI(I)] | \$ 1,204,505 | 25 | 828,178 | 18 | 839,024 | 19 | 2100 | Short-term loans [Note VI(X)] | \$ 1,236,000 | 26 | 1,306,000 | 28 | 1,286,000 | 29 |
| | | | | | | | | 2170 | Accounts payable | 212,401 | 4 | 411,098 | 9 | 449,473 | 10 |
| 1120 | Financial assets at fair value through other comprehensive income - current [Note VI(II)] | 108,095 | 2 | 138,239 | 3 | 115,395 | 3 | 2180 | Accounts payable - related parties [Note VII] | 4,964 | - | 5,430 | - | 6,456 | - |
| | | | | | | | | 2201 | Payroll and bonus payable | 117,959 | 2 | 132,018 | 3 | 112,132 | 2 |
| 1150 | Notes receivable [Note VI(III)] | 48,434 | 1 | 35,347 | 1 | 35,419 | 1 | 2213 | Payables on equipment | 42,433 | 1 | 40,938 | 1 | 37,468 | 1 |
| 1170 | Accounts receivable [Note VI(III)] | 761,398 | 16 | 1,059,782 | 23 | 1,005,101 | 22 | 2280 | Lease liabilities - current [Note VI(XIII)] | 5,493 | - | 7,985 | - | 8,546 | - |
| 1180 | Accounts receivable - related parties [Notes VI(III) & VII] | 53,820 | 1 | 49,460 | 1 | 49,430 | 1 | 2399 | Other current liabilities | 140,185 | 3 | 124,865 | 3 | 113,966 | 3 |
| | | | | | | | | | | 1,759,435 | 36 | 2,028,334 | 44 | 2,014,041 | 45 |
| 1310 | Inventories, net [Note VI(IV)] | 816,045 | 17 | 697,174 | 15 | 657,969 | 15 | Non-current liabilities: | | | | | | | |
| 1479 | Other current assets [Note VI(VIII)] | 51,593 | 1 | 61,535 | 1 | 73,254 | 2 | 2540 | Long-term loans [Note VI(XI)] | 375,000 | 8 | 10,000 | - | 10,000 | - |
| | | 3,043,890 | 63 | 2,869,715 | 62 | 2,775,592 | 63 | 2580 | Lease liabilities - non-current [Note VI(XIII)] | 1,835 | - | 11,502 | - | 13,319 | - |
| Non-current assets: | | | | | | | | | | 376,835 | 8 | 21,502 | - | 23,319 | - |
| 1517 | Financial assets at fair value through other comprehensive income - non-current [Note VI(II)] | 137,633 | 3 | 129,807 | 3 | 127,680 | 3 | Total Liabilities | | 2,136,270 | 44 | 2,049,836 | 44 | 2,037,360 | 45 |
| | | | | | | | | Equity [Note VI(XII) & (XVI)]: | | | | | | | |
| 1550 | Investments accounted for under the equity method [Note VI(V)] | 84,209 | 2 | 83,075 | 2 | 85,323 | 2 | 3100 | Share capital | 889,535 | 19 | 889,535 | 19 | 889,535 | 20 |
| | | | | | | | | 3200 | Capital surplus | 765,757 | 16 | 765,757 | 17 | 765,757 | 17 |
| 1600 | Property, plant and equipment [Note VI(VI)] | 1,402,601 | 29 | 1,330,505 | 29 | 1,268,136 | 28 | 3300 | Retained earnings | 1,119,334 | 23 | 995,384 | 22 | 918,711 | 21 |
| | | | | | | | | 3400 | Other equity | (67,461) | (1) | (98,691) | (2) | (144,550) | (3) |
| 1755 | Right-of-use assets [Note VI(VII)] | 18,079 | - | 29,981 | 1 | 32,295 | 1 | 3500 | Treasury stocks | (39,651) | (1) | - | - | - | - |
| 1780 | Intangible assets [Note VI(IX)] | 27,809 | 1 | 31,697 | 1 | 32,991 | 1 | Total equity | | 2,667,514 | 56 | 2,551,985 | 56 | 2,429,453 | 55 |
| 1840 | Deferred income tax assets | 41,014 | 1 | 54,401 | 1 | 52,585 | 1 | | | | | | | | |
| 1920 | Refundable deposits | 23,352 | - | 26,263 | - | 25,998 | - | Total liabilities and equity | | \$ 4,803,784 | 100 | 4,601,821 | 100 | 4,466,813 | 100 |
| 1990 | Other non-current assets [Note VI(VIII)] | 25,197 | 1 | 46,377 | 1 | 66,213 | 1 | | | | | | | | |
| | | 1,759,894 | 37 | 1,732,106 | 38 | 1,691,221 | 37 | | | | | | | | |
| Total assets | | \$ 4,803,784 | 100 | 4,601,821 | 100 | 4,466,813 | 100 | | | | | | | | |

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

July 1 to September 30, 2022 and 2021 and January 1 to September 30, 2022 and 2021

Unit: NT\$ thousand

| | | <u>July to</u> <u>September, 2022</u> | | <u>July to</u> <u>September, 2021</u> | | <u>January to</u> <u>September 2022</u> | | <u>January to</u> <u>September 2021</u> | |
|------|---|--|----------|--|----------|--|----------|--|----------|
| | | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| 4110 | Net sales revenue [Notes VI(XVIII) & VII] | \$ 518,907 | 100 | 722,491 | 100 | 1,855,645 | 100 | 2,087,343 | 100 |
| 5110 | Cost of goods sold [Notes VI(IV),(XIX) & VII] | 376,096 | 72 | 525,652 | 73 | 1,365,064 | 74 | 1,521,700 | 73 |
| 5950 | Gross profit | 142,811 | 28 | 196,839 | 27 | 490,581 | 26 | 565,643 | 27 |
| 6000 | Operating expenses [Notes VI(XIX) & VII]: | | | | | | | | |
| 6100 | Selling expenses | 26,707 | 5 | 25,086 | 3 | 81,839 | 4 | 72,258 | 3 |
| 6200 | Administrative expenses | 49,385 | 10 | 41,674 | 6 | 148,309 | 8 | 120,825 | 6 |
| 6300 | Research and development expenses | 23,887 | 5 | 23,498 | 3 | 69,770 | 4 | 71,528 | 3 |
| | Total operating expenses | 99,979 | 20 | 90,258 | 12 | 299,918 | 16 | 264,611 | 12 |
| 6900 | Operating profit | 42,832 | 8 | 106,581 | 15 | 190,663 | 10 | 301,032 | 15 |
| 7000 | Non-operating income and expenses: | | | | | | | | |
| 7020 | Other gains and losses [Notes VI(XX)] | 12,640 | 2 | 5,635 | 1 | 34,693 | 2 | 33,952 | 2 |
| 7050 | Finance costs [Notes VI(XII), (XIII) & (XX)] | (5,410) | (1) | (2,869) | - | (13,171) | (1) | (8,799) | - |
| 7060 | Share of profit (loss) of associates accounted for under the equity method [Note VI(V)] | (2,052) | - | 2,261 | - | (2,940) | - | 3,460 | - |
| 7100 | Interest income [Notes VI(XX)] | 541 | - | 660 | - | 2,007 | - | 1,677 | - |
| 7230 | Foreign exchange gain (loss), net [Note VI(XXI)] | 89,711 | 17 | 1,605 | - | 194,182 | 10 | (25,066) | (1) |
| | Non-operating income and expenses, net | 95,430 | 18 | 7,292 | 1 | 214,771 | 11 | 5,224 | 1 |
| 7900 | Net profit before income tax | 138,262 | 26 | 113,873 | 16 | 405,434 | 21 | 306,256 | 16 |
| 7950 | Less: Income tax expense [Note VI(XV)] | 34,565 | 7 | 28,465 | 4 | 103,577 | 6 | 76,562 | 3 |
| 8200 | Net income for the period | 103,697 | 19 | 85,408 | 12 | 301,857 | 15 | 229,694 | 13 |
| 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 | (22,711) | (4) | (20,280) | (3) | (22,318) | (1) | (32,343) | (2) |
| | Total of items that may not be reclassified subsequently to profit or loss | (22,711) | (4) | (20,280) | (3) | (22,318) | (1) | (32,343) | (2) |
| 8360 | Items that may be reclassified subsequently to profit or loss | | | | | | | | |
| 8361 | Financial statements translation differences of foreign operations | 24,670 | 5 | (9,069) | (1) | 66,935 | 4 | (33,633) | (2) |
| 8399 | Less: Income tax related to items that may be reclassified [Note VI(XV)] | 4,934 | 1 | (1,814) | - | 13,387 | (1) | (6,727) | - |
| | Total of items that may be reclassified subsequently to profit or loss | 19,736 | 4 | (7,255) | (1) | 53,548 | 3 | (26,906) | (2) |
| 8300 | Other comprehensive income, net of tax | (2,975) | - | (27,535) | (4) | 31,230 | 2 | (59,249) | (4) |
| | Total comprehensive income for the period | \$ 100,722 | 19 | 57,873 | 8 | 333,087 | 17 | 170,445 | 9 |
| | Earnings per share (Unit: NT\$) [Note VI(XVII)] | | | | | | | | |
| 9750 | Basic earnings per share | \$ 1.17 | | 0.96 | | 3.39 | | 2.63 | |
| 9850 | Diluted earnings per share | \$ 1.16 | | 0.95 | | 3.36 | | 2.58 | |

(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
January 1 to September 30, 2022 and 2021

Unit: NT\$ thousand

| | Retained earnings | | | | | | Other equity items | | | Treasury stocks | Total equity |
|---|-------------------------------|-----------------------|-----------------------|----------------------|----------------------------------|-------------------------|--|--|-------------------------|------------------------|-------------------------|
| | Share capital - common stocks | 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, 2021 | <u>\$ 845,248</u> | <u>561,362</u> | <u>139,955</u> | <u>121,763</u> | <u>596,311</u> | <u>858,029</u> | <u>(86,471)</u> | <u>1,170</u> | <u>(85,301)</u> | <u>-</u> | <u>2,179,338</u> |
| Net income for the period | - | - | - | - | 229,694 | 229,694 | - | - | - | - | 229,694 |
| Other comprehensive income for the period | - | - | - | - | - | - | (26,906) | (32,343) | (59,249) | - | (59,249) |
| Total comprehensive income for the year | - | - | - | - | 229,694 | 229,694 | (26,906) | (32,343) | (59,249) | - | 170,445 |
| Earnings appropriation and distribution: | | | | | | | | | | | |
| Appropriation of legal reserve | - | - | 26,161 | - | (26,161) | - | - | - | - | - | - |
| Cash dividends of common stocks | - | - | - | - | (169,012) | (169,012) | - | - | - | - | (169,012) |
| Reversal of special reserve | - | - | - | (36,462) | 36,462 | - | - | - | - | - | - |
| Conversion of convertible corporate bonds | <u>44,287</u> | <u>204,395</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>248,682</u> |
| Balance as of September 30, 2021 | <u>\$ 889,535</u> | <u>765,757</u> | <u>166,116</u> | <u>85,301</u> | <u>667,294</u> | <u>918,711</u> | <u>(113,377)</u> | <u>(31,173)</u> | <u>(144,550)</u> | <u>-</u> | <u>2,429,453</u> |
| Balance as of January 1, 2022 | <u>\$ 889,535</u> | <u>765,757</u> | <u>166,116</u> | <u>85,301</u> | <u>743,967</u> | <u>995,384</u> | <u>(92,490)</u> | <u>(6,201)</u> | <u>(98,691)</u> | <u>-</u> | <u>2,551,985</u> |
| Net income for the period | - | - | - | - | 301,857 | 301,857 | - | - | - | - | 301,857 |
| Other comprehensive income for the period | - | - | - | - | - | - | 53,548 | (22,318) | 31,230 | - | 31,230 |
| Total comprehensive income for the year | - | - | - | - | 301,857 | 301,857 | 53,548 | (22,318) | 31,230 | - | 333,087 |
| Earnings appropriation and distribution: | | | | | | | | | | | |
| Appropriation of legal reserve | - | - | 30,637 | - | (30,637) | - | - | - | - | - | - |
| Appropriation of special reserve | - | - | - | 13,390 | (13,390) | - | - | - | - | - | - |
| Cash dividends of common stocks | - | - | - | - | (177,907) | (177,907) | - | - | - | - | (177,907) |
| Buyback of treasury stocks | - | - | - | - | - | - | - | - | - | (39,651) | (39,651) |
| Balance as of September 30, 2022 | <u>\$ 889,535</u> | <u>765,757</u> | <u>196,753</u> | <u>98,691</u> | <u>823,890</u> | <u>1,119,334</u> | <u>(38,942)</u> | <u>(28,519)</u> | <u>(67,461)</u> | <u>(39,651)</u> | <u>2,667,514</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
Consolidated Statements of Cash Flows
January 1 to September 30, 2022 and 2021**

Unit: NT\$ thousand

| | January to September 2022 | January to September 2021 |
|--|--------------------------------------|--------------------------------------|
| Cash flows from operating activities: | | |
| Income before income tax for the period | \$ 405,434 | 306,256 |
| Adjustments: | | |
| Income and expenses having no effect on cash flows | | |
| Depreciation | 180,461 | 156,543 |
| Amortization | 3,895 | 3,898 |
| Interest expense | 13,171 | 8,799 |
| Interest income | (2,007) | (1,677) |
| Dividend income | (11,229) | (23,246) |
| Share of corporate profit or loss recognized under the equity method | 2,940 | (3,460) |
| Losses (gains) on disposal of property, plant and equipment | (177) | 397 |
| Other non-cash expense (gain) items, net | 434 | 881 |
| Total income and expense items | <u>187,488</u> | <u>142,135</u> |
| Changes in operating assets and liabilities: | | |
| Notes and accounts receivable (including related parties) | 303,034 | (41,990) |
| Inventories | (103,376) | (120,561) |
| Other operating assets | 12,810 | (18,722) |
| Accounts payable (including related parties) | (217,445) | 32,800 |
| Other operating liabilities | (9,161) | 1,861 |
| Total adjustments | <u>173,350</u> | <u>(4,477)</u> |
| Cash generated from operations | 578,784 | 301,779 |
| Interest received | 2,007 | 1,677 |
| Dividends received | 11,229 | 23,246 |
| Interest paid | (12,889) | (7,568) |
| Income tax paid | (96,731) | (110,634) |
| Net cash generated from operating activities | <u>482,400</u> | <u>208,500</u> |
| Cash flows from investing activities: | | |
| Acquisition of investments accounted for under the equity method | - | (37,000) |
| Acquisition of property, plant and equipment | (170,077) | (218,925) |
| Disposal of property, plant and equipment | 26 | 14 |
| Decrease in refundable deposits | 3,535 | - |
| Acquisition of intangible assets | - | (100) |
| Decrease in other non-current assets | 4,143 | 1,935 |
| Increase in prepayments for business facilities | (11,351) | (48,459) |
| Net cash used in investing activities | <u>(173,724)</u> | <u>(302,535)</u> |
| Cash flows from financing activities: | | |
| Increase in short-term loans | 180,000 | 481,698 |
| Decrease in short-term loans | (250,000) | (60,698) |
| Repayment of bonds | - | (1,100) |
| Proceeds from long-term loans | 365,000 | 10,000 |
| Repayment of lease principal | (18,561) | (7,081) |
| Cash dividends paid | (177,907) | (169,012) |
| Proceeds from buyback of treasury stocks | (39,651) | - |
| Net cash flows generated from (used in) financing activities | <u>58,881</u> | <u>253,807</u> |
| Effect of exchange rate changes | 8,770 | (4,262) |
| Increase in cash and cash equivalents | 376,327 | 155,510 |
| Cash and cash equivalents, beginning of the period | 828,178 | 683,514 |
| Cash and cash equivalents, end of the period | <u>\$ 1,204,505</u> | <u>839,024</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 Nine Months Ended September 30, 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 November 11, 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) 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, 2023, do not have a material impact on the consolidated financial statements.

- Amendment to IAS 1 "Disclosure of Accounting Policies"
- Amendment to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”

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 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"
- Amendments to IFRS 17 "Initial application of IFRS 17 and IFRS 9 comparative information"
- Amendments to IFRS 16 "Rules in a Sale and Leaseback 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

| Name of Investor | Name of subsidiary | Main business activities | Percentage of Ownership | | |
|------------------|--|---|-------------------------|------------|-----------|
| | | | 2022.9.30 | 2021.12.31 | 2021.9.30 |
| The Company | APAQ Investment Limited (APAQ Samoa) | Investment holding company | 100% | 100% | 100% |
| The Company | Apag Technology (Hubei) Co., Ltd. (Apag Hubei) | Production and sales of electronic products | 100% | 100% | 100% |
| APAQ Samoa | Apag Technology (Wuxi) Co., Ltd. (Apag 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>2022.9.30</u> | <u>2021.12.31</u> | <u>2021.9.30</u> |
|---------------------------|----------------------------|-----------------------|-----------------------|
| Cash and demand deposit | \$ 1,159,785 | 741,236 | 753,138 |
| Time deposits | 44,720 | 86,942 | 85,886 |
| Cash and cash equivalents | <u>\$ 1,204,505</u> | <u>828,178</u> | <u>839,024</u> |

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

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

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

1. Current:

| | <u>2022.9.30</u> | <u>2021.12.31</u> | <u>2021.9.30</u> |
|------------------------|-------------------|-------------------|------------------|
| Domestic listed stocks | <u>\$ 108,095</u> | <u>138,239</u> | <u>115,395</u> |

2. Non-current:

| | <u>2022.9.30</u> | <u>2021.12.31</u> | <u>2021.9.30</u> |
|---|-------------------|-------------------|------------------|
| Domestic and foreign unlisted common stocks - | | | |
| Foxfortune Technology Ventures Limited \$ | 27,680 | 37,132 | 36,849 |
| Inpaq Korea Co., Ltd. | 1,496 | 1,827 | 1,798 |
| Element I Venture Capital Co., Ltd. | 15,300 | 17,895 | 17,789 |
| Kuan Kun Electronic Enterprise Co., Ltd. | 64,737 | 61,234 | 59,404 |
| AICP Technology Corporation | 668 | 1,143 | 1,218 |
| Yuanxin Semiconductor Co., Limited | 27,752 | 10,576 | 10,622 |
| | <u>\$ 137,633</u> | <u>129,807</u> | <u>127,680</u> |

Information on major equity investments denominated in foreign currencies as of the reporting date is as follows:

| | <u>2022.9.30</u> | | | <u>2021.12.31</u> | | | <u>2021.9.30</u> | | |
|-----|-----------------------------|--------------------------|------------|-----------------------------|--------------------------|------------|-----------------------------|--------------------------|------------|
| | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>NTD</u> | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>NTD</u> | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>NTD</u> |
| USD | \$ 1,017 | 31.75 | 32,290 | 1,017 | 27.68 | 28,151 | 1,017 | 27.85 | 28,323 |

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>2022.9.30</u> | <u>2021.12.31</u> | <u>2021.9.30</u> |
|---------------------------------------|-------------------|-------------------|------------------|
| Notes receivable | \$ 48,434 | 35,347 | 35,419 |
| Accounts receivable | 761,398 | 1,059,782 | 1,005,101 |
| Accounts receivable - related parties | 53,820 | 49,460 | 49,430 |
| | <u>\$ 863,652</u> | <u>1,144,589</u> | <u>1,089,950</u> |

The consolidated company adopts a simplified method to estimate the expected credit loss for all notes receivable and accounts receivables (including related parties), that is, using the lifetime expected credit loss. For this purpose, these notes receivable and accounts 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.

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

The expected credit losses of the consolidated company's notes receivable and accounts receivables (including related parties) are analyzed as follows:

| | 2022.9.30 | | |
|--------------------|--|--|---|
| | Carrying amount of notes receivable and accounts receivable | Ratio of loss on lifetime expected credit | Allowance of lifetime expected credit loss |
| Not past due | \$ 850,555 | 0% | - |
| Past due 1-90 days | 13,097 | 0% | - |
| Total | \$ 863,652 | | - |

| | 2021.12.31 | | |
|--------------------|--|--|---|
| | Carrying amount of notes receivable and accounts receivable | 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 | | - |

| | 2021.9.30 | | |
|--------------------|--|--|---|
| | Carrying amount of notes receivable and accounts receivable | Ratio of loss on lifetime expected credit | Allowance of lifetime expected credit loss |
| Not past due | \$ 1,087,911 | 0% | - |
| Past due 1-90 days | 2,039 | 0% | - |
| Total | \$ 1,089,950 | | - |

No impairment loss has been provided by the consolidated company for receivables (including related parties) for the nine months ended September 30, 2022 and 2021.

(IV) Inventories, net

| | 2022.9.30 | 2021.12.31 | 2021.9.30 |
|--|-------------------|-------------------|------------------|
| Raw materials | \$ 208,628 | 214,255 | 248,695 |
| Work in process and semi-finished products | 63,415 | 79,376 | 64,928 |
| Finished goods and commodity | 544,002 | 403,543 | 344,346 |
| | \$ 816,045 | 697,174 | 657,969 |

| | July to September 2022 | July to September 2021 | January to September 2022 | January to September 2021 |
|---|-------------------------------|-------------------------------|----------------------------------|----------------------------------|
| Cost of goods sold | \$ 376,096 | 525,652 | 1,365,064 | 1,521,700 |
| Loss on market value decline and obsolete and slow-moving inventories | - | - | - | - |
| | \$ 376,096 | 525,652 | 1,365,064 | 1,521,700 |

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

(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:

| | 2022.9.30 | 2021.12.31 | 2021.9.30 |
|-----------|-------------------------|----------------------|----------------------|
| Associate | <u><u>\$ 84,209</u></u> | <u><u>83,075</u></u> | <u><u>85,323</u></u> |

Share attributable to the consolidated company:

| | July to September 2022 | July to September 2021 | January to September 2022 | January to September 2021 |
|---|---------------------------------------|---------------------------------------|--|--|
| Net income (loss) | \$ (2,052) | 2,261 | (2,940) | 3,460 |
| Other comprehensive income for the period | - | - | - | - |
| Total comprehensive income for the year | <u><u>\$ (2,052)</u></u> | <u><u>2,261</u></u> | <u><u>(2,940)</u></u> | <u><u>3,460</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.

(VI) Property, plant and equipment

| | Buildings | Machinery and equipment | Other equipment and others | Constructi on 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 | - | 70,992 | 16,123 | 112,054 | 199,169 |
| Disposals and obsolescence | - | (3,075) | (296) | (1,408) | (4,779) |
| Reclassifications | - | 149,120 | 3,100 | (152,795) | (575) |
| Effect of exchange rate changes | 10,757 | 50,652 | 3,493 | 5,941 | 70,843 |
| Balance on September 30, 2022 | <u><u>\$ 385,422</u></u> | <u><u>2,056,413</u></u> | <u><u>202,144</u></u> | <u><u>189,722</u></u> | <u><u>2,833,701</u></u> |
| Balance as of January 1, 2021 | \$ 363,157 | 1,604,911 | 130,737 | 131,927 | 2,230,732 |
| Additions | 4,084 | 48,747 | 15,090 | 186,081 | 254,002 |
| Disposals and obsolescence | - | (5,413) | (1,060) | - | (6,473) |
| Reclassifications | 8,796 | 76,977 | 13,920 | (100,831) | (1,138) |
| Effect of exchange rate changes | (5,930) | (25,456) | (1,479) | (2,327) | (35,192) |
| Balance on September 30, 2021 | <u><u>\$ 370,107</u></u> | <u><u>1,699,766</u></u> | <u><u>157,208</u></u> | <u><u>214,850</u></u> | <u><u>2,441,931</u></u> |

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

| | | Buildings | Machinery and equipment | Other equipment and others | Constructi on in progress and equipment to be tested | Total |
|---------------------------------|-----------|------------------|--------------------------------|-----------------------------------|---|------------------|
| Depreciation: | | | | | | |
| Balance as of January 1, 2022 | \$ | 166,899 | 974,161 | 97,478 | - | 1,238,538 |
| Depreciation for the period | | 19,804 | 116,586 | 25,319 | - | 161,709 |
| Disposals and obsolescence | | - | (3,501) | (295) | - | (3,796) |
| Effect of exchange rate changes | | 4,962 | 27,845 | 1,842 | - | 34,649 |
| Balance on September 30, 2022 | \$ | 191,665 | 1,115,091 | 124,344 | - | 1,431,100 |
| Balance as of January 1, 2021 | \$ | 140,357 | 834,470 | 72,578 | - | 1,047,405 |
| Depreciation for the period | | 20,109 | 110,881 | 18,239 | - | 149,229 |
| Disposals and obsolescence | | - | (5,120) | (942) | - | (6,062) |
| Effect of exchange rate changes | | (2,360) | (13,667) | (750) | - | (16,777) |
| Balance on September 30, 2021 | \$ | 158,106 | 926,564 | 89,125 | - | 1,173,795 |
| Carrying Amount: | | | | | | |
| September 30, 2022 | \$ | 193,757 | 941,322 | 77,800 | 189,722 | 1,402,601 |
| January 1, 2022 | \$ | 207,766 | 814,563 | 82,246 | 225,930 | 1,330,505 |
| September 30, 2021 | \$ | 212,001 | 773,202 | 68,083 | 214,850 | 1,268,136 |

(VII) Right-of-use assets

| | | Land use rights | Buildings | Transport ation equipment | Total |
|---|-----------|------------------------|------------------|----------------------------------|---------------|
| Cost of right-of-use assets: | | | | | |
| Balance as of January 1, 2022 | \$ | 11,631 | 39,940 | 1,567 | 53,138 |
| Additions | | - | 15,003 | - | 15,003 |
| Disposals (contract expiration and early termination) | | - | (22,637) | - | (22,637) |
| Effect of exchange rate changes | | 334 | 104 | - | 438 |
| Balance on September 30, 2022 | \$ | 11,965 | 32,410 | 1,567 | 45,942 |
| Balance as of January 1, 2021 | \$ | 11,678 | 39,940 | 1,082 | 52,700 |
| Additions | | - | 474 | 1,689 | 2,163 |
| Disposals (contract expiration) | | - | (474) | (1,204) | (1,678) |
| Effect of exchange rate changes | | (190) | - | - | (190) |
| Balance on September 30, 2021 | \$ | 11,488 | 39,940 | 1,567 | 52,995 |

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

| | Land use rights | Buildings | Transport ation equipment | Total |
|---|----------------------------|----------------------|--|----------------------|
| Depreciation of right-of-use assets: | | | | |
| Balance as of January 1, 2022 | \$ 864 | 22,031 | 262 | 23,157 |
| Depreciation for the period | 220 | 18,140 | 392 | 18,752 |
| Disposals (contract expiration and early termination) | - | (14,177) | - | (14,177) |
| Effect of exchange rate changes | 27 | 104 | - | 131 |
| Balance on September 30, 2022 | <u><u>\$ 1,111</u></u> | <u><u>26,098</u></u> | <u><u>654</u></u> | <u><u>27,863</u></u> |
| Balance as of January 1, 2021 | \$ 578 | 13,529 | 966 | 15,073 |
| Depreciation for the period | 213 | 6,732 | 369 | 7,314 |
| Disposals (contract expiration) | - | (474) | (1,204) | (1,678) |
| Effect of exchange rate changes | (9) | - | - | (9) |
| Balance on September 30, 2021 | <u><u>\$ 782</u></u> | <u><u>19,787</u></u> | <u><u>131</u></u> | <u><u>20,700</u></u> |
| Carrying amount of right-of-use assets: | | | | |
| September 30, 2022 | <u><u>\$ 10,854</u></u> | <u><u>6,312</u></u> | <u><u>913</u></u> | <u><u>18,079</u></u> |
| January 1, 2022 | <u><u>\$ 10,767</u></u> | <u><u>17,909</u></u> | <u><u>1,305</u></u> | <u><u>29,981</u></u> |
| September 30, 2021 | <u><u>\$ 10,706</u></u> | <u><u>20,153</u></u> | <u><u>1,436</u></u> | <u><u>32,295</u></u> |

(VIII) Other assets - current and non-current

| | 2022.9.30 | 2021.12.31 | 2021.9.30 |
|-------------------------------------|-------------------------|-----------------------|-----------------------|
| Prepayments for business facilities | \$ 14,390 | 31,737 | 56,721 |
| Business tax credit | 11,367 | 29,744 | 47,465 |
| Prepaid expenses | 27,944 | 24,961 | 25,040 |
| Deferred expenses | 10,807 | 14,640 | 9,491 |
| Prepayments for goods and others | 12,282 | 6,830 | 750 |
| | <u><u>\$ 76,790</u></u> | <u><u>107,912</u></u> | <u><u>139,467</u></u> |

(IX) Intangible assets

| | Computer software | Royalty fees | Total |
|--------------------|------------------------------|-------------------------|----------------------|
| Carrying Amount: | | | |
| September 30, 2022 | <u><u>\$ 1,224</u></u> | <u><u>26,585</u></u> | <u><u>27,809</u></u> |
| January 1, 2022 | <u><u>\$ 2,297</u></u> | <u><u>29,400</u></u> | <u><u>31,697</u></u> |
| September 30, 2021 | <u><u>\$ 2,653</u></u> | <u><u>30,338</u></u> | <u><u>32,991</u></u> |

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

There were no material additions, disposals, provision or reversal of impairment where the consolidated company's intangible assets were concerned for the nine months ended September 30, 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>2022.9.30</u> | <u>2021.12.31</u> | <u>2021.9.30</u> |
|----------------------|-------------------------|------------------------|-------------------------|
| Unsecured bank loans | <u>\$ 1,236,000</u> | <u>1,306,000</u> | <u>1,286,000</u> |
| Unused limit | <u>\$ 758,628</u> | <u>713,966</u> | <u>549,972</u> |
| Interest rate range | <u>1.29%~ 1.73%</u> | <u>0.88%~ 1.1%</u> | <u>0.88%~ 1.11%</u> |

For the nine months ended September 30, 2022 and 2021, the amount of additions were NT\$180,000 thousand and NT\$481,698 thousand with interest rates of 1.31%~1.51% and 0.90%~1.10% and with maturity date from October 2022 to December 2022 and from October 2021 to January 2022, respectively; the repayment amounts were NT\$250,000 thousand and NT\$60,698 thousand, respectively.

(XI) Long-term loans

| | <u>2022.9.30</u> | <u>2021.12.31</u> | <u>2021.9.30</u> |
|----------------------|---------------------------|-------------------------------|-------------------------------|
| Unsecured bank loans | <u>\$ 375,000</u> | <u>10,000</u> | <u>10,000</u> |
| Unused limit | <u>\$ 425,000</u> | <u>790,000</u> | <u>440,000</u> |
| Loans, end | <u>\$ -</u> | <u>-</u> | <u>-</u> |
| Interest rate range | <u>1.325%~ 1.575%</u> | <u>1.31978%~ 1.31978%</u> | <u>1.31844%~ 1.31844%</u> |

For the nine months ended September 30, 2022 and 2021, the amount of additions were NT\$365,000 thousand and NT\$10,000 thousand with interest rates of 1.325%~1.575% and 1.31978% and with maturity date from September 2026 to January 2027 and September 2026, respectively; there were no repayment as of September 30, 2022 and 2021.

(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:

| | <u>2021.12.31</u> | <u>2021.9.30</u> |
|---|-------------------|------------------|
| Total amount of issuing convertible corporate bonds | \$ 250,000 | 250,000 |
| Less: Unamortized payable corporate bond discount | - | - |
| Less: Accumulated converted ordinary shares | (248,900) | (248,900) |
| Less: Repayment upon maturity | (1,100) | (1,100) |
| Balance of bonds payable at the end of the period | <u>\$ -</u> | <u>-</u> |

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

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

For the period from January 1 to September 30, 2021, a nominal amount of NT\$248,862 thousand unsecured convertible corporate bonds were applied to be converted to 4,429 thousand common stocks. Capital surplus increased by NT\$204,935 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:

| | 2022.9.30 | 2021.12.31 | 2021.9.30 |
|-------------|------------------|-------------------|------------------|
| Current | <u>\$ 5,493</u> | <u>7,985</u> | <u>8,546</u> |
| Non-current | <u>\$ 1,835</u> | <u>11,502</u> | <u>13,319</u> |

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

| | July to September 2022 | July to September 2021 | January to September 2022 | January to September 2021 |
|---------------------------------------|---------------------------------------|---------------------------------------|--|--|
| Interest expense on lease liabilities | <u>\$ 21</u> | <u>67</u> | <u>195</u> | <u>210</u> |
| Expense for leases of low-value items | <u>\$ 19</u> | <u>18</u> | <u>62</u> | <u>54</u> |

The amounts recognized in the statements of cash flows are:

| | January to September 2022 | January to September 2021 |
|------------------------------|--|--|
| Total cash outflow for lease | <u>\$ 18,818</u> | <u>7,345</u> |

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

1. Leasing of houses and buildings

The consolidated company leased houses and buildings as office premises and factory buildings as of September 30, 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 nine months ended September 30, 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 nine months ended September 30, 2022 and 2021 were as follows:

| | July to September 2022 | July to September 2021 | January to September 2022 | January to September 2021 |
|---|---------------------------------------|---------------------------------------|--|--|
| Current income tax expenses \$ | 34,565 | 28,465 | 114,400 | 87,565 |
| Current income tax from adjustment of prior period | - | - | (10,823) | (11,003) |
| | <u>\$ 34,565</u> | <u>28,465</u> | <u>103,577</u> | <u>76,562</u> |

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

| | July to September 2022 | July to September 2021 | January to September 2022 | January to September 2021 |
|---|---------------------------------------|---------------------------------------|--|--|
| Exchange differences on translation of foreign operations \$ | <u>4,934</u> | <u>(1,814)</u> | <u>13,387</u> | <u>(6,727)</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 nine months ended September 30, 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 September 2022 | January to September 2021 |
| Balance as of January 1 | 88,954 | 84,525 |
| Conversion of convertible corporate bonds | - | 4,429 |
| Balance as of September 30 | <u>88,954</u> | <u>88,954</u> |

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.

2. Capital surplus

| | 2022.9.30 | 2021.12.31 | 2021.9.30 |
|--|--------------------------|-----------------------|-----------------------|
| 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 | 117 |
| Treasury stock transactions | 3,642 | 3,642 | 3,642 |
| Premium from conversion of corporate bonds to common stocks | <u>433,380</u> | <u>433,380</u> | <u>433,380</u> |
| | <u>\$ 765,757</u> | <u>765,757</u> | <u>765,757</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 was approved during shareholders' meetings held on June 21, 2022 and August 24, 2021, respectively. Information on dividends appropriated to owners is as follows:

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

The above appropriation of earnings is consistent with the resolutions approved by the Board of Directors. Information will be available at the Market Observation Post System (MOPS) after the resolution of the meeting is convened.

4. Treasury stocks

The Company offers treasury stocks and buys back shares from the Taiwan Stock Exchange. The increase/decrease caused by the buyback are listed as follows:

Unit: 1,000 shares

| <u>Reason for buyback</u> | <u>January to September 2022</u> | | | | <u>Number of shares - ending</u> |
|---------------------------|-------------------------------------|-----------------|-----------------|------------------|----------------------------------|
| | <u>Number of shares - beginning</u> | <u>Increase</u> | <u>Transfer</u> | <u>Cancelled</u> | |
| Transfer to employees | <u>-</u> | <u>982</u> | <u>-</u> | <u>-</u> | <u>982</u> |

In accordance with provisions of the Securities and Exchange Act, the share buyback rate shall not exceed 10% of total number of shares issued by the Company. The total amount of buyback shares shall not exceed the sum of retained earnings, share premium and realized capital surplus. In accordance with provisions of the Securities and Exchange Act, the treasury stocks held by the Company cannot be pledged, and are not entitled to the rights of shareholders before being transferred.

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

(XVII) Earnings per Share (EPS)

| | <u>July to September 2022</u> | <u>July to September 2021</u> | <u>January to September 2022</u> | <u>January to September 2021</u> |
|---|---------------------------------------|---------------------------------------|--|--|
| Basic EPS: | | | | |
| Net income attributable to the Company | <u>\$ 103,697</u> | <u>85,408</u> | <u>301,857</u> | <u>229,694</u> |
| Weighted-average number of ordinary shares (in thousands) | <u>88,859</u> | <u>88,954</u> | <u>88,922</u> | <u>87,490</u> |
| Basic EPS (NT\$) | <u>\$ 1.17</u> | <u>0.96</u> | <u>3.39</u> | <u>2.63</u> |
| Diluted EPS: | | | | |
| Net income attributable to the Company | \$ 103,697 | 85,408 | 301,857 | 229,694 |
| Post-tax interest on convertible corporate bonds | - | - | - | 886 |
| Net income attributable to share capital of common stocks | <u>\$ 103,697</u> | <u>85,408</u> | <u>301,857</u> | <u>230,580</u> |
| Weighted-average number of ordinary shares (in thousands) | 88,859 | 88,954 | 88,922 | 87,490 |
| Effect of potential diluted ordinary shares: | | | | |
| Employee compensation to be distributed in stocks | 294 | 484 | 926 | 586 |
| Convertible corporate bonds | - | - | - | 1,463 |
| Weighted-average number of outstanding shares for the calculation of diluted EPS (in thousands of shares) | <u>89,153</u> | <u>89,438</u> | <u>89,848</u> | <u>89,539</u> |
| Diluted EPS (NT\$) | <u>\$ 1.16</u> | <u>0.95</u> | <u>3.36</u> | <u>2.58</u> |

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

(XVIII) Revenue of customer contract

| | July to September 2022 | July to September 2021 | January to September 2022 | January to September 2021 |
|---|------------------------------|------------------------------|---------------------------------|---------------------------------|
| Major regional markets | | | | |
| China | \$ 497,743 | 680,571 | 1,735,251 | 1,965,755 |
| Taiwan | 18,218 | 41,017 | 106,772 | 119,944 |
| Other Countries | 2,946 | 903 | 13,622 | 1,644 |
| | <u><u>\$ 518,907</u></u> | <u><u>722,491</u></u> | <u><u>1,855,645</u></u> | <u><u>2,087,343</u></u> |
| Major products | | | | |
| Coiled conductive polymer solid state capacitors | \$ 413,216 | 542,836 | 1,450,651 | 1,659,599 |
| Chip-type conductive polymer solid state capacitors | 105,691 | 179,655 | 404,994 | 427,744 |
| | <u><u>\$ 518,907</u></u> | <u><u>722,491</u></u> | <u><u>1,855,645</u></u> | <u><u>2,087,343</u></u> |

(XIX) Employee compensations and remuneration for Directors

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

The accrued amount of compensation of employees for the three months and nine months ended September 30, 2022 and 2021 were NT\$11,759 thousand, NT\$9,184 thousand, NT\$33,607 thousand and NT\$25,156 thousand, respectively, and the estimate amount of compensation to directors and supervisors were NT\$3,458 thousand, NT\$2,701 thousand, NT\$9,884 thousand and NT\$7,399 thousand. The Company's net profit before tax for the period is estimated by multiplying the amount of the Company's net profit before issuing the compensation of employees and directors by the proportion of the Company's compensation distribution to employees and directors as expectedly provided in the Company's Articles of Incorporation, and is reported as operating costs or expenses for that period. 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.

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, 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. Other gains and losses, net

| | July to September 2022 | July to September 2021 | January to September 2022 | January to September 2021 |
|---|------------------------------|------------------------------|---------------------------------|---------------------------------|
| Dividend income | \$ 3,392 | 2,921 | 11,229 | 23,246 |
| Subsidy income | 8,928 | 1,865 | 22,483 | 9,055 |
| Gains (losses) on disposal of property, plant and equipment | 156 | 9 | 177 | (397) |
| Others | 164 | 840 | 804 | 2,048 |
| | <u><u>\$ 12,640</u></u> | <u><u>5,635</u></u> | <u><u>34,693</u></u> | <u><u>33,952</u></u> |

2. Finance costs

| | July to September 2022 | July to September 2021 | January to September 2022 | January to September 2021 |
|--|------------------------------|------------------------------|---------------------------------|---------------------------------|
| Interest expenses of corporate bonds | \$ - | - | - | 1,107 |
| Interest expenses of loans | 5,389 | 2,802 | 12,976 | 7,482 |
| Interest expense of lease liabilities | 21 | 67 | 195 | 210 |
| | <u><u>\$ 5,410</u></u> | <u><u>2,869</u></u> | <u><u>13,171</u></u> | <u><u>8,799</u></u> |

3. Interest income

| | July to September 2022 | July to September 2021 | January to September 2022 | January to September 2021 |
|----------------------------|------------------------------|------------------------------|---------------------------------|---------------------------------|
| Interests on bank deposits | \$ 539 | 658 | 1,999 | 1,670 |
| Other interest income | 2 | 2 | 8 | 7 |
| | <u><u>\$ 541</u></u> | <u><u>660</u></u> | <u><u>2,007</u></u> | <u><u>1,677</u></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.

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 September 30, 2022, December 31, 2021 and September 30, 2021, 39%, 43%, and 45%, 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.

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).

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> |
|--|----------------------------|-------------------------------|-------------------------------|------------------------|--------------------------------|
| September 30, 2022 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Short-term loans | \$ 1,236,000 | 1,238,306 | 1,238,306 | - | - |
| Accounts payable (including related parties) | 217,365 | 217,365 | 217,365 | - | - |
| Payroll and bonus payable | 117,959 | 117,959 | 117,959 | - | - |
| Payables on equipment | 42,433 | 42,433 | 42,433 | - | - |
| Lease liabilities (including current and non-current) | 7,328 | 7,393 | 3,288 | 2,263 | 1,842 |
| Expenses payable (recorded as other current liabilities) | 63,938 | 63,938 | 63,938 | - | - |
| Long-term loans | 375,000 | 396,462 | 2,652 | 2,726 | 391,084 |
| | <u>\$ 2,060,023</u> | <u>2,083,856</u> | <u>1,685,941</u> | <u>4,989</u> | <u>392,926</u> |

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

| | <u>Carrying amount</u> | <u>Contract cash flow</u> | <u>Less than 6 months</u> | <u>6-12 months</u> | <u>More than 12 months</u> |
|--|----------------------------|-------------------------------|-------------------------------|------------------------|--------------------------------|
| 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 |
| Expenses payable (recorded as other current liabilities) | 61,334 | 61,334 | 61,334 | - | - |
| Long-term loans | <u>10,000</u> | <u>10,500</u> | <u>65</u> | <u>67</u> | <u>10,368</u> |
| | <u>\$ 1,986,305</u> | <u>1,988,707</u> | <u>1,962,943</u> | <u>3,774</u> | <u>21,990</u> |

September 30, 2021

| | | | | | |
|--|----------------------------|-------------------------|-------------------------|---------------------|----------------------|
| Non-derivative financial liabilities | | | | | |
| Short-term loans | \$ 1,286,000 | 1,287,730 | 1,287,730 | - | - |
| Accounts payable (including related parties) | 455,929 | 455,929 | 455,929 | - | - |
| Payroll and bonus payable | 112,132 | 112,132 | 112,132 | - | - |
| Payables on equipment | 37,468 | 37,468 | 37,468 | - | - |
| Lease liabilities (including current and non-current) | 21,865 | 22,224 | 4,877 | 3,872 | 13,475 |
| Expenses payable (recorded as other current liabilities) | 58,938 | 58,938 | 58,938 | - | - |
| Long-term loans | <u>10,000</u> | <u>10,533</u> | <u>65</u> | <u>67</u> | <u>10,401</u> |
| | <u>\$ 1,982,332</u> | <u>1,984,954</u> | <u>1,957,139</u> | <u>3,939</u> | <u>23,876</u> |

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:

| 2022.9.30 | | | | 2021.12.31 | | | 2021.9.30 | | | |
|--------------------------|------------------|--------|-------|---------------------|------------------|--------|---------------------|------------------|--------|-----------|
| Foreign currency | Exchange rate | NTD | | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD | |
| Financial assets | | | | | | | | | | |
| Monetary items | | | | | | | | | | |
| USD | \$ | 45,383 | 31.75 | 1,440,910 | 46,768 | 27.68 | 1,294,538 | 41,503 | 27.85 | 1,155,859 |
| RMB | | 69,985 | 4.472 | 312,973 | 64,870 | 4.3471 | 281,996 | 53,587 | 4.2943 | 230,119 |
| Financial liabilities | | | | | | | | | | |
| Monetary items | | | | | | | | | | |
| USD | | 2,066 | 31.75 | 65,596 | 2,550 | 27.68 | 70,584 | 2,587 | 27.85 | 72,048 |

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

(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 nine months ended September 30, 2022 and 2021 due to depreciation or appreciation of NTD against USD and RMB as of September 30, 2022 and 2021 with all other variables held constant were as follows:

| | Range of the fluctuations | January to September 2022 | January to September 2021 |
|-------------------|----------------------------------|--|--|
| TWD exchange rate | 1% depreciation against USD | <u>\$ 11,003</u> | <u>8,670</u> |
| | 1% appreciation against USD | <u>\$ (11,003)</u> | <u>(8,670)</u> |
| | 1% depreciation against RMB | <u>\$ 2,504</u> | <u>1,841</u> |
| | 1% appreciation against RMB | <u>\$ (2,504)</u> | <u>(1,841)</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 (losses) (including realized and unrealized) for the three months and nine months ended September 30, 2022 and 2021 were NT\$89,711 thousand, NT\$1,605 thousand, NT\$194,182 thousand, and NT\$(25,066) 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 nine months ended September 30, 2022 and 2021 due to changes in interest rate with all other variables held constant were as follows:

| | Range of the fluctuations | January to September 2022 | January to September 2021 |
|-----------------------|----------------------------------|--|--|
| Annual borrowing rate | Increase by 1% | <u>\$ (9,666)</u> | <u>(7,776)</u> |
| | Decrease of 1% | <u>\$ 9,666</u> | <u>7,776</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 as of the reporting date | January to September, 2022 | | January to September 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% | \$ 2,457 | - | 2,431 | - |
| Decrease of 1% | (2,457) | - | (2,431) | - |

6. Fair value of financial instruments

(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:

| | 2022.9.30 | | | | |
|---|-----------------|------------|---------|---------|---------|
| | Carrying amount | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through other comprehensive income - current | | | | | |
| Domestic listed stocks | \$ 108,095 | 108,095 | - | - | 108,095 |
| Financial assets at fair value through other comprehensive income - non-current | | | | | |
| Domestic unlisted stocks | \$ 137,633 | - | - | 137,633 | 137,633 |
| | 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)

| | | 2021.9.30 | | | |
|---|--------------------|------------|---------|---------|---------|
| | | Fair value | | | |
| | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through other comprehensive income - current | | | | | |
| Domestic listed stocks | \$ 115,395 | 115,395 | - | - | 115,395 |
| Financial assets at fair value through other comprehensive income - non-current | | | | | |
| Domestic unlisted stocks | \$ 127,680 | - | - | 127,680 | 127,680 |

- (2) 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.
- (3) Transfers between Level 1 and Level 2 fair value hierarchy: None.
- (4) Details of changes in Level 3 fair value hierarchy:

| | Financial assets measured at fair value through other comprehensive income - inactive market |
|--|---|
| Balance as of January 1, 2022 | \$ 129,807 |
| Recognized in other comprehensive income | 7,826 |
| Balance on September 30, 2022 | <u>\$ 137,633</u> |
| Balance as of January 1, 2021 | \$ 136,944 |
| Recognized in other comprehensive income | (9,264) |
| Balance on September 30, 2021 | <u>\$ 127,680</u> |

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.”

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

(5) 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 measured at fair value through other comprehensive income - non-current (inactive market) | Net asset value method | <ul style="list-style-type: none"> Net asset value Marketability discount (10% ~ 20% for 2022.9.30 、 2021.12.31 and 2021.9.30) | <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 (1.21~4.12 for 2022.9.30) Price-to-earning ratio (11.61~11.98 for 2022.9.30) Marketability discount (15% for 2022.9.30) | <ul style="list-style-type: none"> The higher the price-book ratio, the higher the fair value. The higher the price-to-earning 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.

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

(XXIV) Non-cash financing activities

The consolidated company's non-cash investing and financing activities for the nine months ended September 30, 2022 and 2021 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(XII) and (XVI) for details.
2. For right-of-use assets obtained via leases, please refer to Note VI(VII).
3. Reconciliation of liabilities from financing activities was as follows:

| | | Non-cash changes | | | |
|-------------------|---------------------|-------------------------|---------------------|----------------|------------------|
| | | Change in | Exchange | Other | |
| | 2022.1.1 | Cash flow | fluctuations | changes | 2022.9.30 |
| Short-term loans | \$ 1,306,000 | (70,000) | - | - | 1,236,000 |
| Lease liabilities | 19,487 | (18,561) | - | 6,402 | 7,328 |
| Long-term loans | 10,000 | 365,000 | - | - | 375,000 |
| | \$ 1,335,487 | 276,439 | - | 6,402 | 1,618,328 |

| | | Non-cash changes | | | |
|--|---------------------|-------------------------|---------------------|------------------|------------------|
| | | Change in | Exchange | Other | |
| | 2021.1.1 | Cash flow | fluctuations | changes | 2021.9.30 |
| Short-term loans | \$ 865,000 | 421,000 | - | - | 1,286,000 |
| Second issuance of convertible corporate bonds | 248,676 | (1,100) | - | (247,576) | - |
| Lease liabilities | 26,783 | (7,081) | - | 2,163 | 21,865 |
| Long-term loans | - | 10,000 | - | - | 10,000 |
| | \$ 1,140,459 | 422,819 | - | (245,413) | 1,317,865 |

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 Co., Ltd. Is a subsidiary controlled by Shenzhen Gather Electronics Science Co., Ltd.

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

(II) Significant transactions with related parties

1. Operating revenue

| | <u>July to September 2022</u> | <u>July to September 2021</u> | <u>January to September 2022</u> | <u>January to September 2021</u> |
|---|---------------------------------------|---------------------------------------|--|--|
| Shenzhen Gather Electronics Science Co., Ltd. | \$ - | 11,344 | - | 48,564 |
| Hubei Gather Electronics Science Co., Ltd. | <u>19,268</u> | <u>1,494</u> | <u>56,576</u> | <u>1,494</u> |
| | <u>\$ 19,268</u> | <u>12,838</u> | <u>56,576</u> | <u>50,058</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

| | <u>July to September 2022</u> | <u>July to September 2021</u> | <u>January to September 2022</u> | <u>January to September 2021</u> |
|---|---------------------------------------|---------------------------------------|--|--|
| Shenzhen Gather Electronics Science Co., Ltd. | \$ - | 2,086 | - | 6,612 |
| Hubei Gather Electronics Science Co., Ltd. | <u>2,071</u> | <u>2,126</u> | <u>9,193</u> | <u>2,126</u> |
| | <u>\$ 2,071</u> | <u>4,212</u> | <u>9,193</u> | <u>8,738</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.

3. Receivables from related parties

| Financial Statement | | | | |
|----------------------------|---|-------------------------|----------------------|----------------------|
| <u>Account</u> | <u>Category of related parties</u> | <u>2022.9.30</u> | <u>2021.12.31</u> | <u>2021.9.30</u> |
| Accounts receivable | Shenzhen Gather Electronics Science Co., Ltd. | \$ - | 22,637 | 46,874 |
| | Hubei Gather Electronics Science Co., Ltd. | <u>53,820</u> | <u>26,161</u> | <u>1,689</u> |
| | | <u>\$ 53,820</u> | <u>48,798</u> | <u>48,563</u> |

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

4. Payables to related parties

| Financial Statement | | | | |
|----------------------------|---|------------------------|---------------------|---------------------|
| Account | Category of related parties | 2022.9.30 | 2021.12.31 | 2021.9.30 |
| Accounts payable | Shenzhen Gather Electronics Science Co., Ltd. | \$ - | - | 4,091 |
| | Hubei Gather Electronics Science Co., Ltd. | 4,964 | 5,430 | 2,365 |
| | | <u>\$ 4,964</u> | <u>5,430</u> | <u>6,456</u> |

5. Other transactions

The consolidated company engaged in contracts associated with winding machines with related parties. Service income generated were NT\$0 thousand, NT\$632 thousand, NT\$843 thousand and NT\$1,896 thousand for the three months and nine months ended September 30, 2022 and 2021, respectively. As of September 30, 2022, December 31 and September 30, 2021, receivables from related parties from the above transactions amounted to NT\$0 thousand, NT\$662 thousand, and NT\$867 thousand, respectively.

(III) Transactions with key management personnel

Remuneration of major managerial personnel includes:

| | July to September 2022 | July to September 2021 | January to September 2022 | January to September 2021 |
|------------------------------|-------------------------------|-------------------------------|----------------------------------|----------------------------------|
| Short-term employee benefits | \$ 13,116 | 10,663 | 38,070 | 31,703 |
| Post-employment benefits | 108 | 108 | 324 | 319 |
| | <u>\$ 13,224</u> | <u>10,771</u> | <u>38,394</u> | <u>32,022</u> |

VIII. Pledged Assets: None.

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

X. Significant Disaster Loss: None.

XI. Significant Subsequent Events: None.

XII. Other

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

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

| Function Type | July to September 2022 | | | July to September 2021 | | |
|------------------------------------|------------------------|--------------------|---------|------------------------|--------------------|---------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salary expense | 52,692 | 57,669 | 110,361 | 91,707 | 46,008 | 137,715 |
| Labor and health insurance expense | 206 | 1,938 | 2,144 | 324 | 1,808 | 2,132 |
| Pension expense | 222 | 1,120 | 1,342 | 263 | 1,020 | 1,283 |
| Other employee benefits expenses | 1,053 | 2,137 | 3,190 | 1,439 | 2,560 | 3,999 |
| Depreciation | 51,404 | 7,759 | 59,163 | 42,456 | 11,075 | 53,531 |
| Amortization | 222 | 1,076 | 1,298 | 28 | 1,272 | 1,300 |

| By function By nature | January to September, 2022 | | | January to September, 2021 | | |
|------------------------------------|----------------------------|-------------------|---------|----------------------------|--------------------|---------|
| | Operating costs | Operating expense | Total | Operating costs | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salary expense | 223,123 | 165,402 | 388,525 | 215,254 | 139,391 | 354,645 |
| Labor and health insurance expense | 851 | 6,730 | 7,581 | 975 | 5,486 | 6,461 |
| Pension expense | 719 | 3,292 | 4,011 | 680 | 3,052 | 3,732 |
| Other employee benefits expenses | 4,154 | 5,900 | 10,054 | 3,761 | 6,357 | 10,118 |
| Depreciation | 154,716 | 25,745 | 180,461 | 123,953 | 32,590 | 156,543 |
| Amortization | 664 | 3,231 | 3,895 | 87 | 3,811 | 3,898 |

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 | Apag Wuxi | Other accounts receivable - related parties | Yes | 190,500 | 190,500 | - | - | Business transaction | 1,845,092 | | - | | - | 1,067,006 | 1,067,006 |
| 0 | The Company | Apag Hubei | Other accounts receivable - related parties | Yes | 190,500 | 190,500 | - | - | Short-term financing | - | Business Needs of Subsidiary | - | | - | 1,067,006 | 1,067,006 |

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.

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

2. Endorsement or guarantee provided to others:

| No. | Name of Endorser/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 | 子公司 | 2,667,514 | 222,250 | 222,250 | - | - | 8.33% | 2,667,514 | Y | N | Y |
| 0 | The Company | Apaq Hubei | 子公司 | 2,667,514 | 222,250 | 222,250 | - | - | 8.33% | 2,667,514 | 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 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.

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 | | | | Remark |
|----------------------|--|--|---|-------------------|-----------------|----------------|------------|--------|
| | | | | Shares | Carrying amount | Shareholding % | Fair value | |
| The Company | CHAINTECH Technology Corporation | None | Financial assets at fair value through other comprehensive income-current | 4,710 | 108,095 | 4.64% | 108,095 | |
| The Company | Foxfortune Technology Ventures Limited | None | Financial assets at fair value through other comprehensive income-non-current | 1,000 | 27,680 | 5.80% | 27,680 | |
| The Company | Inpaq Korea | None | Financial assets at fair value through other comprehensive income-non-current | 18 | 1,496 | 10.73% | 1,496 | |
| The Company | Element I Venture Capital Co., Ltd. | None | Financial assets at fair value through other comprehensive income-non-current | 1,800 | 15,300 | 3.64% | 15,300 | |
| The Company | Kuan Kun Electronic Enterprise Co., Ltd. | None | Financial assets at fair value through other comprehensive income-non-current | 3,770 | 64,737 | 5.39% | 64,737 | |
| The Company | AICP Technology Corporation | None | Financial assets at fair value through other comprehensive income-non-current | 240 | 668 | 3.20% | 668 | |
| The Company | Yuanxin Semiconductor Co., Limited | None | Financial assets at fair value through other comprehensive income-non-current | 800 | 27,752 | 8.00% | 27,752 | |

- 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% 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.

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

| 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 | | Remark |
|--------------|--------------------------|---------------------|---------------------|-----------|---------------------------------|-----------------------------|--|---------------|--------------------------------------|---|--------|
| | | | 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 | 1,252,602 | 99 % | 60 days from end of month | - | Note 1 | 333,624 | 98.00% | Note 2 |
| Apaq Wuxi | Apaq Hubei | Same parent company | Purchases | 318,013 | 34 % | 120 days monthly settlement | - | Note 1 | 65,174 | 19.00% | Note 2 |

Note 1: The payment period of general suppliers ranges from 30 days to 120 days on the monthly statement, and the payment period for Apaq Wuxi is 60 days and 120 days.

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

8. The receivables from related party to reach NT\$ 100 million or 20% of actually received capital amount:

| Company Name | Name of the Counterparty | Relationship | Balance of Receivables from Related Parties | Turnover rate | Overdue Receivables from Related Parties | | Amounts Received in Subsequent Periods (Note 2) | Loss Allowance |
|--------------|--------------------------|---------------------------|---|---------------|--|--------------|---|----------------|
| | | | | | Amount | Action taken | | |
| Apaq Wuxi | The Company | Parent-subsidiary company | 333,624 (Note 1) | - | - | - | 95,796 | - |

Note 1: Including accounts receivable arising from sales.

Note 2: It refers to the recovery status as of October 28, 2022.

9. Trading in derivative instruments: None.

10. 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 | 1,252,602 | 60 days from end of month | 68% |
| 0 | The Company | Apaq Wuxi | Parent company to a subsidiary | Sales | 67,714 | 60 days from end of month | 4% |
| 0 | The Company | Apaq Wuxi | Parent company to a subsidiary | Accounts receivable | 57,399 | - | 1% |
| 0 | The Company | Apaq Wuxi | Parent company to a subsidiary | Accounts payable | 333,624 | - | 7% |
| 1 | Apaq Wuxi | Apaq Hubei | Subsidiary to Subsidiary | Purchases | 318,013 | 120 days monthly settlement | 17% |
| 1 | Apaq Wuxi | Apaq Hubei | Subsidiary to Subsidiary | Sales | 13,888 | 120 days monthly settlement | 1% |
| 1 | Apaq Wuxi | Apaq Hubei | Subsidiary to Subsidiary | Accounts payable | 65,174 | - | 1% |

(II) Information on reinvestment:

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

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

| Investor Name | Investee Name | Business Location | Primary business activities | Original Investment Amount | | Shares held at the end of the period | | | Investee Current profit and loss | recognized for the period Gain and loss on investment | Remark |
|---------------|------------------|-------------------|---|----------------------------|------------------|--------------------------------------|---------|-----------------|----------------------------------|---|-------------------------------|
| | | | | 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% | 2,128,716 | 128,552 | 102,883 | Subsidiary, Note 1 and Note 2 |
| The Company | AiPAQ Technology | Taiwan | Production and sales of electronic components, etc. | 30,000 | 30,000 | 3,000 | 30.00% | 26,802 | (8,784) | (2,635) | Associate |
| The Company | JDX Enterprise | Taiwan | Production and sales of electronic components, etc. | 7,000 | 7,000 | 700 | 45.16% | 4,112 | (4,240) | (1,915) | Associate |

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 | Remark |
|---|---|--------------------------------|----------------------|--|---|----------|---|---------------------------------------|--|--|--|---|--------|
| | | | | | Outward Remittance (Note 4) | Recovery | | | | | | | |
| Apag Wuxi | Production and sales of electronic components, etc. | 1,238,304 (USD41,700 thousand) | Note 1 | 1,293,113 (USD41,700 thousand) | - | - | 1,293,113 (USD41,700 thousand) | 132,778 | 100.00% | 132,778 (Note 3) | 2,135,997 | - | Note 5 |
| Shenzhen Gather Electronics Science Co., Ltd. | Production and sales of electronic components, etc. | 44,720 (RMB10,000 thousand) | Note 1 | 44,898 (RMB9,800 thousand) | - | - | 44,898 (RMB9,800 thousand) | 2,921 | 35.00% | 1,610 (Note 4) | 53,295 | - | |
| Apag Hubei | Production and sales of electronic components, etc. | 240,611 (USD8,000 thousand) | Note 2 | 176,263 (USD6,000 thousand) | 55,699 | - | 231,962 (USD8,000 thousand) | 20,751 | 100.00% | 20,180 (Note 3) | 319,871 | - | 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 Investment Commission, MOEA |
|---|---|---|
| 1,569,973 (USD49,700 thousand and RMB9,800 thousand) | 1,633,473 (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 September 30, 2022, there was still an approved investment amount of US\$2,000 thousand, which had not yet been remitted.

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

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 see the statement under the “Information on Significant Transactions” for the direct or indirect material transactions between the consolidated company and the invested companies in the mainland Chinese for the nine months ended September 30, 2022 (these transactions had been written off when the consolidated financial statements were prepared).

(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.