

**APACER TECHNOLOGY INC.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2023 and 2022**

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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

To the Board of Directors of Apacer Technology Inc.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Apacer Technology Inc. and its subsidiaries as of March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard ("IAS") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(b) to the consolidated financial statements, the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$653,425 thousand and \$297,851 thousand, constituting 10.93% and 5.66% of consolidated total assets as of March 31, 2023 and 2022, respectively, total liabilities amounting to \$66,484 thousand and \$30,179 thousand, constituting 3.43% and 1.32% of consolidated total liabilities as of March 31, 2023 and 2022, respectively, and total comprehensive income amounting to \$6,887 thousand and \$11,610 thousand, constituting 4.87% and 6.79% of consolidated total comprehensive income for the three months ended March 31, 2023 and 2022, respectively.

Furthermore, as stated in Note 6(g) to the consolidated financial statements, the investments accounted for using equity method of Apacer Technology Inc. and its subsidiaries as of and for the three months ended March 31, 2023 and 2022, were recognized solely on the financial statements prepared by the investee company, but not reviewed by independent auditors. Such investments accounted for using equity method amounted to \$226 thousand and \$1,138 thousand as of March 31, 2023 and 2022, respectively, and the share of losses of the equity accounted investee company amounted to \$218 thousand and \$226 thousand for the three months ended March 31, 2023 and 2022, respectively.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee company described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Apacer Technology Inc. and its subsidiaries as of March 31, 2023 and 2022, and of their consolidated financial performance and their consolidated cash flows for the three months ended March 31, 2023 and 2022 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 the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Tzu-Chieh Tang and Wei-Ming Shih.

KPMG

Taipei, Taiwan (Republic of China)
April 18, 2023

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors’ review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors’ review report and consolidated financial statements, the Chinese version shall prevail.

APACER TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2023, December 31, and March 31, 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		March 31, 2023		December 31, 2022		March 31, 2022		Liabilities and Equity		March 31, 2023		December 31, 2022		March 31, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 1,241,869	21	1,419,376	23	620,349	12	2100	Short-term borrowings (note 6(l))	\$ 213,185	4	92,145	2	343,560	7
1110	Financial assets at fair value through profit or loss — current (note 6(b))	40	-	980	-	477	-	2120	Financial liabilities at fair value through profit or loss — current (note 6(b))	373	-	1,012	-	1,439	-
1170	Notes and accounts receivable, net (notes 6(d) and (u))	740,042	12	735,899	12	1,356,736	26	2130	Contract liabilities— current (note 6(u))	82,780	2	177,632	3	48,714	1
1180	Accounts receivable from related parties (notes 6(d), (u) and 7)	533	-	377	-	3,097	-	2170	Notes and accounts payable	435,900	7	504,327	8	727,712	14
1200	Other receivables (note 6(e))	34,844	1	-	-	52,816	1	2180	Accounts payable to related parties (note 7)	192,119	3	214,345	4	299,081	6
1310	Inventories (note 6(f))	735,165	12	955,484	16	1,949,459	37	2200	Other payables (notes 6(v) and 7)	301,753	5	452,284	8	318,839	6
1476	Other financial assets— current (note 6(a))	1,734,726	29	1,380,623	23	70,911	1	2216	Dividends payable (note 6(r))	404,871	7	-	-	294,272	6
1479	Other current assets	68,081	1	105,986	2	103,737	2	2230	Current income tax liabilities	142,457	2	110,864	2	147,604	3
Total current assets		4,555,300	76	4,598,725	76	4,157,582	79	2250	Provisions— current (note 6(o))	10,042	-	10,544	-	9,887	-
Non-current assets:								2280	Lease liabilities— current (note 6(n))	20,711	-	15,659	-	13,700	-
1517	Financial assets at fair value through other comprehensive income— non-current (note 6(c))	29,062	1	29,769	1	26,105	-	2300	Other current liabilities	22,807	1	28,418	-	21,512	-
1550	Investments accounted for using equity method (note 6(g))	226	-	444	-	1,138	-	2322	Current portion of long-term debt (notes 6(m) and 8)	2,016	-	2,016	-	-	-
1600	Property, plant and equipment (notes 6(i) and 8)	910,888	15	917,402	15	855,142	16	Total current liabilities		1,829,014	31	1,609,246	27	2,226,320	43
1755	Right-of-use assets (note 6(j))	57,340	1	46,445	1	30,092	1	2540	Non-current liabilities:						
1780	Intangible assets (notes 6(h) and (k))	240,687	4	245,556	4	40,872	1	2570	Long-term debt (notes 6(m) and 8)	22,604	-	28,108	1	-	-
1840	Deferred income tax assets	175,117	3	175,117	3	141,344	3	2580	Deferred income tax liabilities	22,135	-	22,894	-	123	-
1980	Other financial assets— non-current	6,264	-	5,842	-	5,083	-	2580	Lease liabilities— non-current (note 6(n))	37,260	1	31,339	1	16,868	-
1990	Other non-current assets	3,204	-	2,736	-	3,331	-	2640	Net defined benefit liabilities	19,995	-	19,982	-	40,555	1
Total non-current assets		1,422,788	24	1,423,311	24	1,103,107	21	2645	Guarantee deposits	6,503	-	6,558	-	6,113	-
								Total non-current liabilities		108,497	1	108,881	2	63,659	1
								Total liabilities		1,937,511	32	1,718,127	29	2,289,979	44
								Equity attributable to shareholders of the Company (note 6(r)):							
								3100	Common stock	1,226,882	21	1,226,882	20	1,018,243	19
								3200	Capital surplus	924,322	15	924,322	15	389,146	7
								3300	Retained earnings	1,823,783	31	2,100,373	35	1,683,484	32
								3400	Other equity	(91,512)	(2)	(87,389)	(1)	(120,302)	(2)
								Total equity attributable to shareholders of the Company		3,883,475	65	4,164,188	69	2,970,571	56
								36XX	Non-controlling interests (notes 6(h) and (r))	157,102	3	139,721	2	139	-
								Total equity		4,040,577	68	4,303,909	71	2,970,710	56
Total assets		\$ 5,978,088	100	6,022,036	100	5,260,689	100	Total liabilities and equity		\$ 5,978,088	100	6,022,036	100	5,260,689	100

See accompanying notes to the consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Reviewed only, not audited in accordance with Standards on Auditing**APACER TECHNOLOGY INC. AND SUBSIDIARIES****Consolidated Statements of Comprehensive Income****For the three months ended March 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)**

		For the three months ended March 31			
		2023		2022	
		Amount	%	Amount	%
4000	Revenue (notes 6(u), 7 and 14)	\$ 1,911,058	100	2,303,460	100
5000	Cost of revenue (notes 6(f), (i), (j), (n), (s), 7 and 12)	(1,483,792)	(78)	(1,825,189)	(79)
5900	Gross profit	427,266	22	478,271	21
6000	Operating expenses (notes 6(d), (i), (j), (n), (s), (v), 7 and 12):				
6100	Selling expenses	(148,539)	(8)	(134,092)	(5)
6200	Administrative expenses	(62,304)	(3)	(61,709)	(3)
6300	Research and development expenses	(40,381)	(2)	(40,119)	(2)
6450	Reversal of (recognized) expected credit losses	473	-	(39,612)	(2)
6000	Total operating expenses	(250,751)	(13)	(275,532)	(12)
6900	Operating income	176,515	9	202,739	9
7000	Non-operating income and loss (notes 6(i), (n) and (w)):				
7100	Interest income	9,440	1	446	-
7020	Other gains and losses, net	33	-	(3,218)	-
7050	Finance costs	(3,514)	-	(860)	-
7770	Share of losses of associates	(218)	-	(226)	-
	Total non-operating income and loss	5,741	1	(3,858)	-
7900	Income before income tax	182,256	10	198,881	9
7950	Less: income tax expenses (note 6(q))	(36,597)	(2)	(40,194)	(2)
	Net income	145,659	8	158,687	7
	Other comprehensive income (notes 6(r) and (x)):				
8310	Items that will not be reclassified subsequently to profit or loss:				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(710)	-	44	-
8349	Less: income tax related to items that will not be reclassified subsequently to profit or loss	-	-	-	-
		(710)	-	44	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign operations	(3,410)	(1)	12,146	-
8399	Less: income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
		(3,410)	(1)	12,146	-
	Other comprehensive income for the period, net of income tax	(4,120)	(1)	12,190	-
8500	Total comprehensive income for the period	\$ 141,539	7	170,877	7
8600	Net income attributable to:				
8610	Shareholders of the Company	\$ 128,281	7	158,689	7
8620	Non-controlling interests	17,378	1	(2)	-
		\$ 145,659	8	158,687	7
8700	Total comprehensive income attributable to:				
8710	Shareholders of the Company	\$ 124,158	6	170,874	7
8720	Non-controlling interests	17,381	1	3	-
		\$ 141,539	7	170,877	7
	Earnings per share (in New Taiwan dollars) (note 6(t)):				
9750	Basic earnings per share	\$ 1.05		1.57	
9850	Diluted earnings per share	\$ 1.03		1.54	

See accompanying notes to the consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Reviewed only, not audited in accordance with Standards on Auditing

APACER TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company												
	Retained earnings						Total other equity						
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unearned share-based employee compensation	Total	Total equity of the Company	Non-controlling interests	Total equity
Balance at January 1, 2022	<u>\$ 1,018,243</u>	<u>389,146</u>	<u>410,715</u>	<u>108,958</u>	<u>1,299,394</u>	<u>1,819,067</u>	<u>(74,366)</u>	<u>(51,415)</u>	<u>(8,941)</u>	<u>(134,722)</u>	<u>3,091,734</u>	<u>136</u>	<u>3,091,870</u>
Appropriation of earnings:													
Cash dividends distributed to shareholders	-	-	-	-	(294,272)	(294,272)	-	-	-	-	(294,272)	-	(294,272)
Net income for the three months ended March 31, 2022	-	-	-	-	158,689	158,689	-	-	-	-	158,689	(2)	158,687
Other comprehensive income for the three months ended March 31, 2022	-	-	-	-	-	-	12,141	44	-	12,185	12,185	5	12,190
Total comprehensive income for the three months ended March 31, 2022	-	-	-	-	158,689	158,689	12,141	44	-	12,185	170,874	3	170,877
Compensation cost arising from restricted stock issued to employees	-	-	-	-	-	-	-	-	2,235	2,235	2,235	-	2,235
Balance at March 31, 2022	<u>\$ 1,018,243</u>	<u>389,146</u>	<u>410,715</u>	<u>108,958</u>	<u>1,163,811</u>	<u>1,683,484</u>	<u>(62,225)</u>	<u>(51,371)</u>	<u>(6,706)</u>	<u>(120,302)</u>	<u>2,970,571</u>	<u>139</u>	<u>2,970,710</u>
Balance at January 1, 2022	<u>\$ 1,226,882</u>	<u>924,322</u>	<u>458,390</u>	<u>125,783</u>	<u>1,516,200</u>	<u>2,100,373</u>	<u>(39,687)</u>	<u>(47,702)</u>	<u>-</u>	<u>(87,389)</u>	<u>4,164,188</u>	<u>139,721</u>	<u>4,303,909</u>
Appropriation of earnings:													
Cash dividends distributed to shareholders	-	-	-	-	(404,871)	(404,871)	-	-	-	-	(404,871)	-	(404,871)
Net income for the three months ended March 31, 2023	-	-	-	-	128,281	128,281	-	-	-	-	128,281	17,378	145,659
Other comprehensive income for the three months ended March 31, 2023	-	-	-	-	-	-	(3,413)	(710)	-	(4,123)	(4,123)	3	(4,120)
Total comprehensive income for the three months ended March 31, 2023	-	-	-	-	128,281	128,281	(3,413)	(710)	-	(4,123)	124,158	17,381	141,539
Balance at March 31, 2023	<u>\$ 1,226,882</u>	<u>924,322</u>	<u>458,390</u>	<u>125,783</u>	<u>1,239,610</u>	<u>1,823,783</u>	<u>(43,100)</u>	<u>(48,412)</u>	<u>-</u>	<u>(91,512)</u>	<u>3,883,475</u>	<u>157,102</u>	<u>4,040,577</u>

See accompanying notes to the consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Reviewed only, not audited in accordance with Standards on Auditing

APACER TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2023	2022
Cash flows from operating activities:		
Income before income tax	\$ 182,256	198,881
Adjustments:		
Depreciation	13,471	13,019
Amortization	6,156	2,291
Recognized (reversal of) expected credit loss	(473)	39,612
Interest expense	3,514	860
Interest income	(9,440)	(446)
Share-based compensation cost	-	2,235
Share of loss of associates	218	226
Loss on disposal of property, plant and equipment	44	-
Impairment loss on non-financial assets	-	131
Subtotal	13,490	57,928
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss	940	192
Notes and accounts receivable	(3,670)	(61,150)
Accounts receivable from related parties	(156)	(677)
Other receivables	(32,287)	(52,741)
Inventories	220,319	(462,946)
Other current assets	38,123	(25,988)
Net changes in operating assets	223,269	(603,310)
Changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	(639)	1,306
Contract liabilities	(94,852)	10,904
Notes and accounts payable	(68,427)	59,589
Accounts payable to related parties	(22,226)	96,473
Other payables	(151,663)	(65,395)
Provisions	(502)	(337)
Other current liabilities	(5,611)	(6,957)
Net defined benefit liabilities	13	14
Net changes in operating liabilities	(343,907)	95,597
Total changes in operating assets and liabilities	(120,638)	(507,713)
Total adjustments	(107,148)	(449,785)
Cash provided by (used in) operations	75,108	(250,904)
Interest received	6,883	371
Interest paid	(2,382)	(761)
Income taxes paid	(5,981)	(5,840)
Net cash provided by (used in) operating activities	73,628	(257,134)

See accompanying notes to the consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Reviewed only, not audited in accordance with Standards on Auditing**APACER TECHNOLOGY INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows (Continued)****For the three months ended March 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	For the three months ended March 31	
	2023	2022
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through profit or loss	-	110,079
Acquisition of property, plant and equipment	(2,018)	(2,363)
Acquisition of intangible assets	(1,264)	-
Decrease (increase) in other financial assets—current	(354,103)	29,529
Decrease (increase) in other financial assets—non-current	(422)	256
Increase in other non-current assets	(468)	(1,480)
Net cash provided by (used in) investing activities	(358,275)	136,021
Cash flows from financing activities:		
Increase in short-term borrowings	121,040	91,581
Repayment of long-term debt	(5,504)	-
Decrease in guarantee deposits	(55)	(7,732)
Payment of lease liabilities	(5,241)	(4,428)
Net cash provided by financing activities	110,240	79,421
Effect of foreign exchange rate changes	(3,100)	11,977
Net decrease in cash and cash equivalents	(177,507)	(29,715)
Cash and cash equivalents at beginning of period	1,419,376	650,064
Cash and cash equivalents at end of period	\$ 1,241,869	620,349

See accompanying notes to the consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with Standards on Auditing

APACER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Organization and business

Apacer Technology Inc. (the “Company”) was incorporated on April 16, 1997 as a company limited by shares under the laws of the Republic of China (“R.O.C.”) and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is 1F, No.32, Zhongcheng Rd., Tucheng Dist., New Taipei City, Taiwan. The Company and its subsidiaries (collectively the “Group”) are engaged in the research and development, design, manufacturing, processing, maintenance and sales of memory modules and storage memory devices.

2. Authorization of the consolidated financial statements

These consolidated financial statements were authorized for issuance by the Board of Directors on April 18, 2023.

3. Application of new, revised or amended accounting standards and interpretations:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

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

- (b) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments have removed the requirement for a right to be unconditional and instead now require that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024

(Continued)

APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Non-current Liabilities with Covenants”	<p>After reconsidering certain aspects of the 2020 amendments, new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.</p> <p>Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.</p>	January 1, 2024

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its 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 IFRS 17 “Insurance Contracts”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

4. Summary of significant accounting policies:

(a) Statement of compliance

The Group’s accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulations”) and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, interpretation as well as related guidance endorsed and issued into effect by the FSC (collectively as “Taiwan-IFRSs”) for a complete set of the annual consolidated financial statements.

Except for the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statements for the year ended December 31, 2022. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2022.

(Continued)

APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Basis of consolidation

Principles of preparation of the consolidated financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2022. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2022.

(i) List of subsidiaries in the consolidated financial statements

The subsidiaries included in the consolidated financial statements were as follows:

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership			Note
			March 31, 2023	December 31, 2022	March 31, 2022	
The Company	Apacer Memory America Inc. (AMA)	Sales of memory modules and storage memory devices	100.00 %	100.00 %	100.00 %	Note 3
The Company	Apacer Technology B.V. (AMH)	Sales of memory modules and storage memory devices	100.00 %	100.00 %	100.00 %	Note 2
The Company	Apacer Technology Japan Corp. (AMJ)	Sales of memory modules and storage memory devices	100.00 %	100.00 %	100.00 %	Note 2
The Company	Kingdom Corp. Limited (AMK)	Sales of memory modules and storage memory devices	100.00 %	100.00 %	100.00 %	Note 2
The Company/ ACYB	Apacer Technologies Private Limited (ATPL)	Auxiliary sales of memory modules and storage memory devices	100.00 %	100.00 %	100.00 %	Note 2
The Company	Apacer Technology (BVI) Inc. (ACYB)	Investment holding activity	100.00 %	100.00 %	100.00 %	Note 2
The Company	UD INFO Corp. (UD)	Manufacture and sales of memory modules and storage memory devices	68.54 %	68.54 %	-	Note 1
ACYB	Apacer Electronic (Shanghai) Co., Ltd. (AMC)	Sales of memory modules and storage memory devices	100.00 %	100.00 %	100.00 %	Note 2
AMK	Shenzhen Kylinesports Technology Co. (AMS)	Sales of gaming products and consumer electronic products	99.00 %	99.00 %	99.00 %	Note 2

Note 1: In August 2022, the Group obtained control over UD which became a subsidiary of the Group. Therefore, UD has been included in the Group's consolidated entities.

Note 2: These are non-significant subsidiaries whose financial statements have not been reviewed as of and for the three months ended March 31, 2023 and 2022.

Note 3: AMA is a non-significant subsidiary whose financial statements have not been reviewed as of and for the three months ended March 31, 2023. However, the financial statements of AMA have been reviewed as of and for the three months ended March 31, 2022.

(ii) List of subsidiaries which are not included in the consolidated financial statements: None.

(c) Employee benefits

The defined benefit pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time, as well as significant curtailments, settlements, or other significant one-time events.

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
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(d) Income taxes

The income tax expenses in the interim financial statements have been measured and disclosed in accordance with paragraph B12 of IAS 34 “Interim Financial Reporting”.

Income tax expenses for an interim period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. It is recognized fully as current tax expense for the current period.

When income tax expenses are recognized directly in equity or other comprehensive income in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, the related amounts shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled.

5. Critical accounting judgments and key sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and IAS 34 “Interim financial reporting” endorsed and issued into effect by FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated interim financial statements, critical judgments and estimation uncertainties made by management are in conformity with note 5 of the consolidated financial statements for the year ended December 31, 2022.

6. Significant account disclosures

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2022. Please refer to note 6 of the consolidated financial statements for the year ended December 31, 2022.

(a) Cash and cash equivalents

	March 31, 2023	December 31, 2022	March 31, 2022
Cash on hand	\$ 153	195	175
Demand deposits	848,029	841,716	588,605
Time deposits with original maturities less than three months	393,687	577,465	31,569
	\$ 1,241,869	1,419,376	620,349

As of March 31, 2023, December 31 and March 31, 2022, the time deposits with original maturities of more than three months amounted to \$1,734,726, \$1,380,623 and \$70,911, respectively, which were classified as other financial assets — current.

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Financial assets and liabilities at fair value through profit or loss—current

	March 31, 2023	December 31, 2022	March 31, 2022
Financial assets mandatorily at fair value through profit or loss—current:			
Foreign currency forward contracts	\$ 40	-	165
Foreign exchange swaps	-	980	312
	\$ 40	980	477
	March 31, 2023	December 31, 2022	March 31, 2022
Financial liabilities held for trading—current:			
Foreign currency forward contracts	\$ (373)	(892)	(1,250)
Foreign exchange swaps	-	(120)	(189)
	\$ (373)	(1,012)	(1,439)

Please refer to note 6(w) for the detail of the changes in fair value recognized in profit or loss.

The Group entered into derivative contracts to manage foreign currency exchange risk resulting from its operating activities. As of March 31, 2023, December 31 and March 31, 2022, the derivative financial instruments that did not conform to the criteria for hedge accounting consisted of the following:

March 31, 2023					
	Contract amount (in thousands)		Fair value	Currency (Sell / Buy)	Maturity period
Financial assets—foreign currency forward contracts	JPY	15,500	\$ <u><u>40</u></u>	JPY / TWD	2023/04/27～2023/05/26
December 31, 2022					
	Contract amount (in thousands)		Fair value	Currency (Sell / Buy)	Maturity period
Financial assets—foreign exchange swaps	USD	300	\$ <u><u>980</u></u>	TWD / USD	2023/01/04～2023/01/07
March 31, 2022					
	Contract amount (in thousands)		Fair value	Currency (Sell / Buy)	Maturity period
Financial assets—foreign currency forward contracts	JPY	18,000	\$ <u><u>165</u></u>	JPY / TWD	2022/04/25
Financial assets—foreign exchange swaps	USD	2,000	\$ <u><u>312</u></u>	USD / TWD	2022/04/29

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
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March 31, 2023					
	Contract amount (in thousands)		Fair value	Currency (Sell / Buy)	Maturity period
Financial liabilities—foreign currency forward contracts	JPY	8,800	\$ (18)	JPY / TWD	2023/04/27
	CNY	3,500	(19)	CNY / TWD	2023/04/27
	USD	3,000	(336)	USD / TWD	2023/04/10~2023/04/17
			<u>\$ (373)</u>		
December 31, 2022					
	Contract amount (in thousands)		Fair value	Currency (Sell / Buy)	Maturity period
Financial liabilities—foreign currency forward contracts	JPY	20,900	\$ (268)	JPY / TWD	2023/01/30
	CNY	8,500	(531)	CNY / TWD	2023/01/30
	USD	2,000	(93)	USD / TWD	2023/01/10~2023/01/13
			<u>\$ (892)</u>		
Financial liabilities—foreign exchange swaps	USD	3,000	<u>\$ (120)</u>	USD / TWD	2023/01/19
March 31, 2022					
	Contract amount (in thousands)		Fair value	Currency (Sell / Buy)	Maturity period
Financial liabilities— foreign currency forward contracts	JPY	20,000	\$ (20)	JPY / TWD	2022/05/26
	CNY	15,780	(1,230)	CNY / TWD	2022/04/25~2022/05/26
			<u>\$ (1,250)</u>		
Financial liabilities—foreign exchange swaps	USD	3,000	<u>\$ (189)</u>	USD / TWD	2022/04/29

(c) Financial assets at fair value through other comprehensive income—non-current

	March 31, 2023	December 31, 2022	March 31, 2022
Equity investments at fair value through other comprehensive income:			
Domestic unlisted stocks	\$ 28,824	29,616	25,749
Foreign unlisted stocks	238	153	356
	<u>\$ 29,062</u>	<u>29,769</u>	<u>26,105</u>

The Group designated the abovementioned investments as at fair value through other comprehensive income because these equity investments represent those investments that the Group intends to hold for long-term strategic purposes.

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

No strategic investments were disposed for the three months ended March 31, 2023 and 2022, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(d) Notes and accounts receivable

	March 31, 2023	December 31, 2022	March 31, 2022
Notes and accounts receivable	\$ 761,390	757,720	1,401,496
Accounts receivable from related parties	533	377	3,097
	761,923	758,097	1,404,593
Less: loss allowance	(21,348)	(21,821)	(44,760)
	<u><u>\$ 740,575</u></u>	<u><u>736,276</u></u>	<u><u>1,359,833</u></u>

As of March 31, 2023, December 31 and March 31, 2022, aside from recognizing impairment loss for credit-impaired accounts receivable amounting to \$0, \$18,232 and \$37,071, respectively, for notes and accounts receivable with gross carrying amounts of \$0, \$18,232 and \$37,071, respectively, as there was objective evidence indicating that, under reasonable expectation, they would not be recovered in total. The Group applies the simplified approach to measure its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables (including related parties), as well as the incorporated forward-looking information. The loss allowance provision was determined as follows:

March 31, 2023			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 682,349	0.0001%	1
Past due 1-90 days	58,903	1.1533%	678
Past due 91-180 days	12	87.2500%	10
Past due over 181 days	20,659	100%	20,659
	<u><u>\$ 761,923</u></u>		<u><u>21,348</u></u>
December 31, 2022			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 669,732	0.0002%	2
Past due 1-90 days	67,373	1.2319%	828
Past due 91-180 days	15	93.3333%	14
Past due over 181 days	2,745	100%	2,745
	<u><u>\$ 739,865</u></u>		<u><u>3,589</u></u>

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
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	March 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 1,223,597	0.0001%	1
Past due 1-90 days	137,176	0.7017%	962
Past due 91-180 days	4,343	99.4800%	4,320
Past due over 181 days	2,406	100%	2,406
	<u>\$ 1,367,522</u>		<u>7,689</u>

Movements of the loss allowance for notes and accounts receivable (including related parties) were as follows:

	For the three months ended March 31,	
	2023	2022
Balance at January 1	\$ 21,821	5,148
Impairment loss recognized (reversed)	(473)	39,612
Balance at March 31	<u>\$ 21,348</u>	<u>44,760</u>

(e) Other receivables

	March 31, 2023	December 31, 2022	March 31, 2022
Other receivables	<u>\$ 34,844</u>	<u>-</u>	<u>52,816</u>

There is no loss allowance provision for other receivables on March 31, 2023, December 31 and March 31, 2022 after the assessment.

(f) Inventories

	March 31, 2023	December 31, 2022	March 31, 2022
Raw materials	\$ 249,742	317,238	920,294
Work in process	120,042	184,978	113,275
Finished goods	312,816	421,131	828,125
Inventories in transit	<u>52,565</u>	<u>32,137</u>	<u>87,765</u>
	<u>\$ 735,165</u>	<u>955,484</u>	<u>1,949,459</u>

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
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For the three months ended March 31, 2023 and 2022, the amounts of inventories recognized as cost of revenue were as follows:

	For the three months ended March 31,	
	2023	2022
Cost of inventories sold	\$ 1,473,781	1,808,495
Write-downs of inventories	10,011	16,694
	<u>\$ 1,483,792</u>	<u>1,825,189</u>

The above write-downs of inventories to net realizable value were included in cost of revenue.

(g) Investments accounted for using equity method

(i) The details of investments accounted for using equity method were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Associates	\$ <u>226</u>	<u>444</u>	<u>1,138</u>

There were no significant changes in investments accounted for using equity method for the three months ended March 31, 2023 and 2022. Please refer to note 6(f) of the consolidated financial statements for the year ended December 31, 2022 for related information.

(ii) The abovementioned investments accounted for using equity method, and the related share of loss and other comprehensive income of those investments were calculated based on the investees' financial statements that have not been reviewed.

(h) Business combination

(i) Acquisition of subsidiary — UD INFO Corp. (UD)

1) Consideration transferred

On August 1, 2022, the Group issued additional 9,864 thousand shares of common stock in exchange for 4,932 thousand shares of common stock of UD, wherein it obtained 68.54% ownership of UD. The Group obtained control over UD and therefore, UD has been included in the Group's consolidated entities since the acquisition date. UD is mainly engaged in the research and development, and sales of industrial applications and embedded memory products. The acquisition of UD is to acquire UD's current customer relationships and expand markets in flash memory products and memory modules.

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Identifiable net assets acquired in a business combination

On August 1, 2022 (the acquisition date), the fair value of identifiable assets acquired and liabilities assumed from the acquisition was as follows:

Consideration transferred:

Issuance of additional 9,864 thousand shares of common stock	\$ 380,815
Add: Non-controlling interests (measured at non-controlling interest's proportionate share of the fair value of UD's identifiable net assets)	121,720

Less: identifiable net assets acquired at fair value:

Cash and cash equivalents	\$ 248,556
Financial assets at fair value through profit or loss	
— current	31,460
Notes and accounts receivable	18,981
Other receivables	1,787
Inventories	238,438
Other financial assets — current	12,000
Other current assets	16,606
Property, plant and equipment	60,802
Right-of-use assets	1,337
Intangible assets — computer software	17
Intangible assets — customer relationships	69,705
Intangible assets — expertise	27,104
Deferred income tax assets	4,415
Other financial assets — non-current	845
Short-term borrowings	(5,000)
Notes and accounts payable (including related parties)	(111,189)
Other payables (including related parties)	(16,096)
Current income tax liabilities	(22,661)
Lease liabilities (including current and non-current)	(1,342)
Other current liabilities	(115,352)
Long-term debt (including current portion)	(52,840)
Deferred income tax liabilities	(20,721)
	<u>386,852</u>
Goodwill	<u>\$ 115,683</u>

For the fair value measurement of the abovementioned assets and liabilities, the required market-based assessment and other calculations have been completed.

3) Intangible assets

Intangible assets — customer relationships and intangible assets — expertise are amortized on a straight-line basis over the estimated future economic useful life of 7.42 years and 5 years, respectively.

Goodwill arising from the acquisition of UD is due to the market profitability of industrial storage devices and value of assembled workforce, neither of which qualifies as an identifiable intangible asset. None of the goodwill recognized is expected to be deductible for income tax purposes.

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Subsidiaries that have material non-controlling interest:

Subsidiaries that have material non-controlling interest were as follows:

Subsidiaries	Principal place of business/ Registration country	The percentage of ownership and voting rights held by non-controlling interests		
		March 31, 2023	December 31, 2022	March 31, 2022
UD INFO Corp. (UD)	Taiwan	31.46 %	31.46 %	-

The summarized financial information of subsidiaries was as follows, the information was prepared in accordance with Taiwan-IFRSs. The fair value adjustments made during the acquisition as at the acquisition date were included in the information. Intra-group transactions were not eliminated in this information:

1) The summarized financial information of UD:

	March 31, 2023	December 31, 2022
Current assets	\$ 587,145	628,711
Non-current assets	273,673	277,751
Current liabilities	(200,704)	(295,229)
Non-current liabilities	(45,689)	(52,099)
Net assets	<u>\$ 614,425</u>	<u>559,134</u>
The carrying amount of non-controlling interests	<u>\$ 156,975</u>	<u>139,592</u>
		For the three months ended March 31, 2023
Net sales		<u>\$ 289,812</u>
Net income		<u>\$ 55,291</u>
Other comprehensive income		-
Total comprehensive income		<u>\$ 55,291</u>
Net income attributable to non-controlling interests		<u>\$ 17,383</u>
Total comprehensive income attributable to non-controlling interests		<u>\$ 17,383</u>
		For the three months ended March 31, 2023
Cash flow from operating activities		\$ 70,745
Cash flow from investing activities		(100,740)
Cash flow from financing activities		(5,652)
Effects of foreign exchange rate changes		-
Net decrease in cash and cash equivalents		<u>\$ (35,647)</u>
Cash dividends paid to non-controlling interests		<u>\$ -</u>

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
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(i) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Other equipment	Equipment to be inspected and construction in progress	Total
Cost:						
Balance at January 1, 2023	\$ 598,567	341,544	191,052	92,716	5,263	1,229,142
Additions	-	137	1,122	59	700	2,018
Disposals	-	-	(3,029)	(441)	-	(3,470)
Reclassification and effect of exchange rate changes	-	(11)	5,099	(98)	(5,104)	(114)
Balance at March 31, 2023	<u>\$ 598,567</u>	<u>341,670</u>	<u>194,244</u>	<u>92,236</u>	<u>859</u>	<u>1,227,576</u>
Balance at January 1, 2022	\$ 556,498	320,112	192,230	85,446	1,048	1,155,334
Additions	-	-	917	76	1,370	2,363
Disposals	-	-	(3,782)	(18)	-	(3,800)
Reclassification and effect of exchange rate changes	-	(13)	911	391	(894)	395
Balance at March 31, 2022	<u>\$ 556,498</u>	<u>320,099</u>	<u>190,276</u>	<u>85,895</u>	<u>1,524</u>	<u>1,154,292</u>
Accumulated depreciation and impairment loss:						
Balance at January 1, 2023	\$ -	81,165	154,595	75,980	-	311,740
Depreciation	-	3,489	3,412	1,548	-	8,449
Disposals	-	-	(3,029)	(397)	-	(3,426)
Reclassification and effect of exchange rate changes	-	(4)	(4)	(67)	-	(75)
Balance at March 31, 2023	<u>\$ -</u>	<u>84,650</u>	<u>154,974</u>	<u>77,064</u>	<u>-</u>	<u>316,688</u>
Balance at January 1, 2022	\$ -	66,296	158,506	69,176	-	293,978
Depreciation	-	3,319	3,370	1,810	-	8,499
Disposals	-	-	(3,782)	(18)	-	(3,800)
Impairment loss	-	-	131	-	-	131
Reclassification and effect of exchange rate changes	-	(4)	16	330	-	342
Balance at March 31, 2022	<u>\$ -</u>	<u>69,611</u>	<u>158,241</u>	<u>71,298</u>	<u>-</u>	<u>299,150</u>
Carrying amount:						
Balance at March 31, 2023	<u>\$ 598,567</u>	<u>257,020</u>	<u>39,270</u>	<u>15,172</u>	<u>859</u>	<u>910,888</u>
Balance at January 1, 2023	<u>\$ 598,567</u>	<u>260,379</u>	<u>36,457</u>	<u>16,736</u>	<u>5,263</u>	<u>917,402</u>
Balance at March 31, 2022	<u>\$ 556,498</u>	<u>250,488</u>	<u>32,035</u>	<u>14,597</u>	<u>1,524</u>	<u>855,142</u>

For the three months ended March 31, 2023 and 2022, the Group recognized an impairment loss on property, plant and equipment of \$0 and \$131, respectively, which were included in non-operating income and loss.

Please refer to note 8 for the detail of the Group's property, plant and equipment pledged as collateral to secure the bank loans and credit facilities.

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
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(j) Right-of-use assets

	<u>Buildings</u>	<u>Other equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2023	\$ 56,977	21,899	78,876
Additions	15,365	849	16,214
Disposals	(10,651)	(1,062)	(11,713)
Effect of exchange rates changes	(436)	-	(436)
Balance at March 31, 2023	<u>\$ 61,255</u>	<u>21,686</u>	<u>82,941</u>
Balance at January 1, 2022	\$ 55,336	18,745	74,081
Additions	691	1,371	2,062
Disposals	(4,652)	-	(4,652)
Effect of exchange rates changes	663	-	663
Balance at March 31, 2022	<u>\$ 52,038</u>	<u>20,116</u>	<u>72,154</u>
Accumulated depreciation:			
Balance at January 1, 2023	\$ 20,572	11,859	32,431
Depreciation	3,652	1,370	5,022
Disposals	(10,651)	(1,062)	(11,713)
Effect of exchange rates changes	(157)	18	(139)
Balance at March 31, 2023	<u>\$ 13,416</u>	<u>12,185</u>	<u>25,601</u>
Balance at January 1, 2022	\$ 35,443	6,183	41,626
Depreciation	3,274	1,246	4,520
Disposals	(4,652)	-	(4,652)
Effect of exchange rates changes	568	-	568
Balance at March 31, 2022	<u>\$ 34,633</u>	<u>7,429</u>	<u>42,062</u>
Carrying amount:			
Balance at March 31, 2023	<u>\$ 47,839</u>	<u>9,501</u>	<u>57,340</u>
Balance at January 1, 2023	<u>\$ 36,405</u>	<u>10,040</u>	<u>46,445</u>
Balance at March 31, 2022	<u>\$ 17,405</u>	<u>12,687</u>	<u>30,092</u>

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Intangible assets

	<u>Goodwill</u>	<u>Computer software</u>	<u>Royalties for the use of patents</u>	<u>Customer relationships</u>	<u>Expertise</u>	<u>Total</u>
Carrying amount:						
Balance at March 31, 2023	\$ <u>115,683</u>	<u>35,666</u>	<u>2,408</u>	<u>63,440</u>	<u>23,490</u>	<u>240,687</u>
Balance at January 1, 2023	\$ <u>115,683</u>	<u>36,789</u>	<u>2,450</u>	<u>65,789</u>	<u>24,845</u>	<u>245,556</u>
Balance at March 31, 2022	\$ <u>-</u>	<u>38,206</u>	<u>2,666</u>	<u>-</u>	<u>-</u>	<u>40,872</u>

According to IAS 36, goodwill arising from a business combination is tested at least annually. According to the result of the impairment test, there were no losses incurred by the Group as of December 31, 2022; please refer to note 6(j) of the consolidated financial statements for the year ended December 31, 2022 for more details. As of March 31, 2023, the Group assessed the achievement of the forecasted revenue and operating income of CGUs to which the goodwill are allocated for the three months ended March 31, 2023, and concluded that there were no indications of goodwill impairment.

There were no significant additions, disposals, or recognition and reversal of impairment losses of intangible assets for the three months ended March 31, 2023 and 2022. Information on amortization for the period is presented in note 12(a). Please refer to note 6(j) of the consolidated financial statements for other related information.

(l) Short-term borrowings

The details of short-term borrowings were as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Unsecured bank loans	\$ <u>213,185</u>	<u>92,145</u>	<u>343,560</u>
Unused credit facilities	\$ <u>1,748,460</u>	<u>1,889,440</u>	<u>1,538,410</u>
Interest rate interval	<u>5.52%~5.85%</u>	<u>5.03%</u>	<u>1.07%~1.16%</u>

(m) Long-term debt

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Secured bank loans	\$ 24,620	30,124	-
Less: current portion of long-term debt	(2,016)	(2,016)	-
Total	\$ <u>22,604</u>	<u>28,108</u>	<u>-</u>
Unused credit facilities	\$ <u>11,680</u>	<u>6,176</u>	<u>-</u>
Interest rate interval	<u>1.85%</u>	<u>1.85%</u>	<u>-</u>

Please refer to note 8 for the Group's assets pledged as collateral to secure the bank loans and credit facilities.

(Continued)

APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Lease liabilities

The carrying amount of lease liabilities were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Current	\$ <u>20,711</u>	<u>15,659</u>	<u>13,700</u>
Non-current	\$ <u>37,260</u>	<u>31,339</u>	<u>16,868</u>

For the maturity analysis, please refer to note 6(x).

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31,	
	2023	2022
Interest on lease liabilities	\$ <u>315</u>	<u>196</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>195</u>	<u>266</u>
Expenses relating to short-term leases	\$ <u>378</u>	<u>68</u>

The amounts recognized in the statements of cash flows for the Group were as follows:

	For the three months ended March 31,	
	2023	2022
Total cash outflows for leases	\$ <u>6,129</u>	<u>4,958</u>

(i) Real estate leases

The Group leases buildings for its office and warehouses. The leases typically run for a period of one to seven years. Among these leases, the rent payment on some leases of warehouses is calculated monthly based on the area being used.

(ii) Other leases

The Group leases office and transportation equipment, with lease terms of one to five years. Among these leases, the Group leases some office equipment with contract terms within one year. These leases are short-term and the Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Provisions

	March 31, 2023	December 31, 2022	March 31, 2022
Warranties	\$ 4,749	4,855	6,952
Sales returns and allowances	5,293	5,689	2,935
	<u>\$ 10,042</u>	<u>10,544</u>	<u>9,887</u>

There were no significant changes in provisions for the three months ended March 31, 2023 and 2022. Please refer to note 6(n) of the consolidated financial statements for the year ended December 31, 2022 for other related information.

(p) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2022 and 2021.

- (ii) The pension expenses recognized in profit or loss in respect of defined contribution plans and defined benefit plans for the three months ended March 31, 2023 and 2022, are presented in note 12(a).

(q) Income taxes

The Group's income tax expense for an interim period is best estimated by multiplying pre-tax incomes for the interim reporting period with the effective annual tax rate as forecasted by the management.

- (i) The components of income tax expense were as follows:

	For the three months ended March 31,	
	2023	2022
Current income tax expense	<u>\$ 36,597</u>	<u>40,194</u>

- (ii) For the three months ended March 31, 2023 and 2022, there was no income tax expense recognized directly in equity or other comprehensive income.
- (iii) The Company's income tax returns for the years through 2020 have been examined and approved by the R.O.C. income tax authorities.

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Capital and other equity

(i) Common stock

As of March 31, 2023, December 31 and March 31, 2022, the Company's authorized shares of common stock consisted of 200,000 thousand shares, of which 122,688, 122,688 and 101,824 thousand shares, respectively, were issued. As of March 31, 2023, December 31 and March 31, 2022, as the shares of restricted stock to employees amounting to 0, 463 and 463 thousand shares, respectively, were not yet vested, the Company's outstanding shares of common stock were 122,688, 122,225 and 101,361 thousand shares, respectively. The par value of the Company's common stock is \$10 (dollars) per share. The Company has reserved 15,000 thousand shares for the exercise of employee stock options.

The movements in outstanding shares of common stock were as follows (in thousands of shares):

	Shares of Common Stock	
	For the three months ended	
	March 31,	
	2023	2022
Balance at January 1	122,225	100,898
Vested restricted stock issued to employees	463	463
Balance at December 31	122,688	101,361

- 1) In view of the improvement of market competitiveness and operating synergies, the Company's Board of Directors meeting held on June 2, 2022 resolved to issue additional 9,864 thousand shares of common stock for the purpose of share exchange with UD INFO Corp. (UD). The Company issued 9,864 thousand shares of common stock, as the consideration for this share exchange transaction, in exchange for 4,932 thousand shares of common stock of UD (approximately equal to 68.54% of the outstanding shares of common stock of UD). Every 2 newly-issued shares of common stock of the Company was exchanged for 1 share of common stock of UD. The abovementioned share exchange and the effective date was on August 1, 2022.
- 2) In order to seek opportunities for strategic alliances with domestic and international partners and enrich the necessary working capital in response to develop long-term operations, the Company's shareholders' meeting held on May 31, 2022 resolved to raise capital through private placement. The effective date of capital increase was on November 17, 2022 and the relevant statutory registration procedures have been completed on December 2, 2022. Details were summarized were as follows:
 - a) Shares issued: 11,000 thousand shares of common stock
 - b) Issue price: \$33 (dollars) per share
 - c) Total proceeds received by the Company: \$363,000
 - d) Investor of the private placement: Acer Inc.

(Continued)

APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- e) Rights and obligations: All the rights and obligations of shares of common stock through the private placement (the “Private Placement Shares”) shall be the same as those of shares of common stock issued and outstanding. However, except for selling to specific investors defined in Article 43-8 of the Securities and Exchange Act, the Private Placement Shares cannot be resold during a three-year period from delivery date. After three years from delivery date, according to the Securities and Exchange Act and related regulations, the Company shall obtain a letter issued by Taiwan Stock Exchange Corporation (“TWSE”) acknowledging that the Private Placement Shares have met the standards for TWSE listing before it may file with FSC for retroactive handling of public issuance procedures. Thereafter, the Company can apply for listing in TWSE of Private Placement Shares.
- f) Others: The Company recognized capital surplus of \$253,000, resulting from the issuance price of Private Placement Shares in excess of common stock’s par value.

(ii) Capital surplus

	March 31, 2023	December 31, 2022	March 31, 2022
Paid-in capital in excess of par value	\$ 866,883	866,883	331,707
Employee stock options	12,901	12,901	12,901
Treasury stock transactions	3,781	3,781	3,781
Restricted stock to employees	26,499	26,499	26,499
Changes in equity of associates accounted for using equity method	<u>14,258</u>	<u>14,258</u>	<u>14,258</u>
	<u>\$ 924,322</u>	<u>924,322</u>	<u>389,146</u>

Pursuant to the Company Act, any realized capital surplus is initially used to cover an accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends based on the original shareholding ratio or distributed as cash dividends based on a resolution approved by the shareholders. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations from shareholders received by the Company. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

(iii) Retained earnings

1) Legal reserve

If a company has no accumulated deficit, it may, pursuant to a resolution approved by the shareholders, distribute its legal reserve to its shareholders by issuing new shares or by distributing cash for the portion in excess of 25% of the paid-in capital.

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a special reserve equal to the total amount of items that were accounted for as deductions from shareholders' equity was set aside from current and prior-year earnings. This special reserve shall revert to the retained earnings and be made available for distribution when the items that are accounted for as deductions from shareholders' equity are reversed in subsequent periods.

3) Earnings distribution

The Company's Articles of Incorporation stipulate that at least 10% of annual net income, after deducting accumulated deficit, if any, must be retained as legal reserve until such retention equals the amount of paid in capital. In addition, a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance, together with the unappropriated earnings from the previous years, after retaining a certain portion of it for business considerations, can be distributed as dividends to shareholders. If dividends are distributed by issuing new shares, the distribution shall be approved by the shareholders' meeting. If dividends are distributed in the form of cash, a resolution shall be adopted by a majority vote at a meeting of the board of directors attended by more than two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. Except for the distribution of capital surplus and legal reserve in accordance with applicable laws and regulations, the Company cannot distribute any earnings when there are no retained earnings.

Since the Company operates in an industry experiencing rapid change and development, earnings are distributed in consideration of the current year's earnings, the overall economic environment, related laws and decrees, as well as the Company's long term development and stability in its financial position. The Company has adopted a balance dividend policy, in which a cash dividend comprises at least 10% of the total dividend distribution.

The cash dividends appropriation of 2022 and 2021 earnings were approved by the Company's Board of Directors on February 21, 2023 and February 23, 2022, respectively. The resolved appropriation were as follows:

	2022		2021	
	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)	Amount
Dividends per share:				
Cash dividends	\$ 3.30	<u><u>404,871</u></u>	2.89	<u><u>294,272</u></u>

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Other equity items (net after tax)

1) Foreign currency translation differences

	For the three months ended March 31,	
	2023	2022
Balance at January 1	\$ (39,687)	(74,366)
Foreign exchange differences arising from translation of foreign operations	(3,413)	12,141
Balance at March 31	<u><u>\$ (43,100)</u></u>	<u><u>(62,225)</u></u>

2) Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income

	For the three months ended March 31,	
	2023	2022
Balance at January 1	\$ (47,702)	(51,415)
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(710)	44
Balance at March 31	<u><u>\$ (48,412)</u></u>	<u><u>(51,371)</u></u>

3) Unearned compensation cost

	For the three months ended March 31,	
	2023	2022
Balance at January 1	\$ -	(8,941)
Compensation cost arising from restricted stock issued to employees	-	2,235
Balance at March 31	<u><u>\$ -</u></u>	<u><u>(6,706)</u></u>

(v) Non-controlling interests

	For the three months ended March 31,	
	2023	2022
Balance at January 1	\$ 139,721	136
Equity attributable to non-controlling interest:		
Net income (loss)	17,378	(2)
Exchange differences on translation of foreign operations	3	5
Balance at March 31	<u><u>\$ 157,102</u></u>	<u><u>139</u></u>

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Share-based payment—Restricted stock to employees

As of March 31, 2022, the Group had the following share-based payment arrangements:

	Restricted stock to employees
Grant date	2021.01.06
Number of shares granted (thousand shares)	926
Contract term	2 years
Vesting conditions	(Note 2)
Qualified employees	(Note 1)

Note 1: Full-time employees who conformed to certain requirements

Note 2: The employees who were granted restricted stock are entitled to purchase the shares of restricted stock at the exercise price of \$0. The total share of the restricted stocks issued was determined by achievement of the Company's operation objective for the year 2020. The vesting period of the restricted stock is 1~2 years subsequent to the grant date, and the restricted shares of stock will be vested by taking the individual employee's performance conditions into consideration. When the vesting conditions are met, the restricted stock received by the employees shall be transferred from an escrow account to the employee's security account. During the vesting period, the restricted stock could not be sold, pledged, transferred, gifted, or disposed of in any other forms, excluding inheritance; nevertheless, the rights of a shareholder (such as attendance, proposing, speaking, voting and election at the shareholders' meeting) are the same as those of the Company's shareholders but are executed by the custodian who will act based on law and regulations. The Company will take back the restricted stock from its employees and retire those shares when the vesting conditions are not met.

(i) The movements in number of restricted stock issued to employees (in thousand shares) were as follows:

	For the three months ended March 31,	
	2023	2022
Balance at January 1	463	926
Vested	(463)	(463)
Balance at March 31	<u>-</u>	<u>463</u>

The fair value of the restricted stock to employees was \$38.6 (in dollars) per share, which was determined by reference to the closing price of the Company's common stock traded on the Taiwan Stock Exchange at the grant date. For the three months ended March 31, 2023 and 2022, the compensation cost for the restricted shares of stock amounted to \$0 and \$2,235, respectively.

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Employee compensation cost

Expense resulting from share-based payment transactions are as follows:

	For the three months ended March 31,	
	2023	2022
Compensation cost from restricted stock issued to employees	\$ -	2,235

(t) Earnings per share (“EPS”)

(i) Basic earnings per share

	For the three months ended March 31,	
	2023	2022
Net income attributable to shareholders of the Company	\$ 128,281	158,689
Weighted-average number of ordinary shares outstanding (in thousands)	122,663	101,335
Basic earnings per share (in dollars)	\$ 1.05	1.57

(ii) Diluted earnings per share

	For the three months ended March 31,	
	2023	2022
Net income attributable to shareholders of the Company	\$ 128,281	158,689
Weighted-average number of ordinary shares outstanding (in thousands)	122,663	101,335
Effect of dilutive potential common stock (in thousands):		
Remuneration to employees	1,400	1,301
Restricted stock to employees	-	389
Weighted-average number of ordinary shares outstanding (including effect of dilutive potential common stock)	124,063	103,025
Diluted earnings per share (in dollars)	\$ 1.03	1.54

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

The Group recognizes revenue when control of the goods has been transferred to the customer. Disaggregation of revenue is based on the Group's location of business.

For the three months ended March 31, 2023			
	Segment		
	Asia	America and Europe	Total
Major products:			
Flash memory cards	\$ 995,116	187,886	1,183,002
Memory modules	623,553	50,826	674,379
Others	53,677	-	53,677
	\$ 1,672,346	238,712	1,911,058

For the three months ended March 31, 2022			
	Segment		
	Asia	America and Europe	Total
Major products:			
Flash memory cards	\$ 1,065,926	251,869	1,317,795
Memory modules	824,652	128,031	952,683
Others	32,982	-	32,982
	\$ 1,923,560	379,900	2,303,460

(ii) Contract balances

	March 31, 2023	December 31, 2022	March 31, 2022
Notes and accounts receivable (including related parties)	\$ 761,923	758,097	1,404,593
Less: loss allowance	(21,348)	(21,821)	(44,760)
	\$ 740,575	736,276	1,359,833
	March 31, 2023	December 31, 2022	March 31, 2022
Contract liabilities — current	\$ 82,780	177,632	48,714

For details on notes and accounts receivable and its loss allowance, please refer to note 6(d).

The amounts of revenue recognized for the three months ended March 31, 2023 and 2022 that were included in the contract liabilities balances at January 1, 2023 and 2022 were \$172,646 and \$18,489, respectively.

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Remuneration to employees and directors

The Company's article of incorporation requires that earnings shall first to be offset against any deficit, then, a minimum of 4% will be distributed as remuneration to its employees and no more than 1.4% to its directors. Employees who are entitled to receive the abovementioned employee remuneration, in shares or cash, include the employees of the subsidiaries of the Company who meet certain specific requirement.

For the three months ended March 31, 2023 and 2022, the Company estimated its remuneration to employees amounting to \$18,959 and \$25,901, respectively, and the remuneration to directors amounting to \$2,385 and \$3,192, respectively. The abovementioned estimated amounts are calculated based on the net profits before tax of each period (excluding the remuneration to employees and directors), multiplied by a certain percentage of the remuneration to employees and directors. The estimations are recognized as operating expenses. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in following year.

For the years ended December 31, 2022 and 2021, the Company estimated its remuneration to employees amounting to \$83,479 and \$62,103, respectively, and the remuneration to directors amounting to \$10,683 and \$8,926, respectively. The abovementioned estimated remuneration to employees and directors is the same as the amount and paid in cash. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(w) Non-operating income and loss

(i) Interest income

	For the three months ended March 31,	
	2023	2022
Interest income from bank deposits	\$ <u>9,440</u>	<u>446</u>

(ii) Other gains and losses—net

	For the three months ended March 31,	
	2023	2022
Losses on disposal of property, plant and equipment	\$ (44)	-
Foreign currency exchange gains (losses)	(1,247)	6,257
Gains (losses) on financial assets and liabilities at fair value through profit or loss	426	(10,623)
Impairment loss on non-financial assets	-	(131)
Others	<u>898</u>	<u>1,279</u>
	<u>\$ 33</u>	<u>(3,218)</u>

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Finance costs

	For the three months ended March 31,	
	2023	2022
Interest expense from bank loans	\$ (3,199)	(664)
Interest expense from lease liabilities	(315)	(196)
	\$ (3,514)	(860)

(x) Financial instruments

Except for the content mentioned below, there were no significant changes in the fair value of the Group's financial instruments and the degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to notes 6(w) and 6(x) of the consolidated financial statements for the year ended December 31, 2022.

(i) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or other financial assets. The Group manages liquidity risk by monitoring regularly the current and mid- to long-term cash demand, maintaining adequate cash and banking facilities, and ensuring compliance with the terms of the loan agreements. As of March 31, 2023, December 31 and March 31, 2022, the Group had unused credit facilities of \$1,760,140, \$1,895,616 and \$1,538,410, respectively.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>More than 1 year</u>
March 31, 2023				
Non-derivative financial liabilities:				
Short-term borrowings	\$ 213,185	(214,207)	(214,207)	-
Long-term debt (including current portion)	24,620	(27,397)	(2,429)	(24,968)
Notes and accounts payable (including related parties)	628,019	(628,019)	(628,019)	-
Other payables	301,753	(301,753)	(301,753)	-
Dividends payable	404,871	(404,871)	(404,871)	-
Lease liabilities	57,971	(60,016)	(21,777)	(38,239)
Guarantee deposits	6,503	(6,503)	-	(6,503)
Derivative financial instruments:				
Foreign currency forward contracts:				
Inflow	-	108,515	108,515	-
Outflow	373	(108,888)	(108,888)	-

(Continued)

APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>More than 1 year</u>
December 31, 2022				
Non-derivative financial liabilities:				
Short-term borrowings	\$ 92,145	(92,531)	(92,531)	-
Long-term debt (including current portion)	30,124	(34,312)	(2,554)	(31,758)
Notes and accounts payable (including related parties)	718,672	(718,672)	(718,672)	-
Other payables	452,284	(452,284)	(452,284)	-
Lease liabilities	46,998	(48,705)	(16,492)	(32,213)
Guarantee deposits	6,558	(6,558)	-	(6,558)
Derivative financial instruments:				
Foreign currency forward contracts:				
Inflow	-	102,995	102,995	-
Outflow	892	(103,887)	(103,887)	-
Foreign exchange swaps:				
Inflow	-	92,025	92,025	-
Outflow	102	(92,145)	(92,145)	-
March 31, 2022				
Non-derivative financial liabilities:				
Short-term borrowings	\$ 343,560	(343,877)	(343,877)	-
Notes and accounts payable (including related parties)	1,026,793	(1,026,793)	(1,026,793)	-
Other payables	318,839	(318,839)	(318,839)	-
Dividends payable	294,272	(294,272)	(294,272)	-
Lease liabilities	30,568	(31,562)	(14,276)	(17,286)
Guarantee deposits	6,113	(6,113)	-	(6,113)
Derivative financial instruments:				
Foreign currency forward contracts:				
Inflow	-	74,728	74,728	-
Outflow	1,250	(75,978)	(75,978)	-
Foreign exchange swaps:				
Inflow	-	85,701	85,701	-
Outflow	189	(85,890)	(85,890)	-

The Group does not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Foreign currency risk

The Group's exposure to foreign currency risk arises from cash and cash equivalents, notes and accounts receivable (including related parties), notes and accounts payable (including related parties), other receivables, other payables, other financial assets—current, and loans and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. At the reporting date, the carrying amounts of the Group's significant monetary assets and liabilities denominated in a currency other than the functional currencies of the Group entities and their respective sensitivity analysis were as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

(Amounts in thousands of New Taiwan Dollars)

March 31, 2023					
	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	Change in magnitude	Pre-tax effect on profit or loss (in thousands)
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 29,141	30.455	887,489	1 %	8,875
CNY	9,761	4.433	43,271	1 %	433
JPY	20,851	0.228	4,754	1 %	48
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	23,625	30.455	719,499	1 %	7,195
CNY	61	4.433	270	1 %	3
December 31, 2022					
	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	Change in magnitude	Pre-tax effect on profit or loss (in thousands)
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 29,166	30.715	895,834	1 %	8,958
CNY	14,108	4.422	62,386	1 %	624
JPY	22,066	0.233	5,141	1 %	51
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	21,701	30.715	666,546	1 %	6,665
CNY	122	4.422	539	1 %	5
JPY	514	0.233	120	1 %	1

(Continued)

APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

March 31, 2022					
	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	Change in magnitude	Pre-tax effect on profit or loss (in thousands)
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 46,827	28.630	1,340,657	1 %	13,407
CNY	18,252	4.517	82,444	1 %	824
JPY	41,519	0.235	9,757	1 %	98
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	42,274	28.630	1,210,305	1 %	12,103
CNY	61	4.517	276	1 %	3
JPY	205	0.235	48	1 %	-

As the Group deals in diverse foreign currencies, gains and losses on foreign exchange were summarized as a single amount. The aggregate of realized and unrealized foreign exchange gain (loss) for the three months ended March 31, 2023 and 2022 were \$(1,247) and \$6,257, respectively.

(iii) Categories of financial instruments

1) Financial assets

	March 31, 2023	December 31, 2022	March 31, 2022
Financial assets at fair value through profit or loss	\$ 40	980	477
Financial assets at fair value through other comprehensive income	29,062	29,769	26,105
Financial assets measured at amortized cost:			
Cash and cash equivalents	1,241,869	1,419,376	620,349
Notes and accounts receivable (including related parties)	740,575	736,276	1,359,833
Other receivables	5,852	-	176
Other financial assets (including current and non-current)	1,740,990	1,386,465	75,994
Subtotal	3,729,286	3,542,117	2,056,352
Total	<u>\$ 3,758,388</u>	<u>3,572,866</u>	<u>2,082,934</u>

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Financial liabilities

	March 31, 2023	December 31, 2022	March 31, 2022
Financial liabilities at fair value through profit or loss	\$ <u>373</u>	<u>1,012</u>	<u>1,439</u>
Financial liabilities measured at amortized cost:			
Short-term borrowings	213,185	92,145	343,560
Notes and accounts payable (including related parties)	628,019	718,672	1,026,793
Other payables	301,753	452,284	318,839
Dividends payable	404,871	-	294,272
Lease liabilities (including current and non-current)	57,971	46,998	30,568
Long-term debt (including current portion)	24,620	30,124	-
Guarantee deposits	<u>6,503</u>	<u>6,558</u>	<u>6,113</u>
Subtotal	<u>1,636,922</u>	<u>1,346,781</u>	<u>2,020,145</u>
Total	<u><u>\$ 1,637,295</u></u>	<u><u>1,347,793</u></u>	<u><u>2,021,584</u></u>

(iv) Fair value information

1) Financial instruments not measured at fair value

The Group considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values.

2) Financial instruments measured at fair value

The fair value of financial assets and liabilities at fair value through profit and loss and financial assets at fair value through other comprehensive income are measured on a recurring basis.

The table below analyzes financial instruments that are measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- c) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
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		March 31, 2023				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss — current:						
Derivatives — foreign currency forward contracts	\$	40	-	40	-	40
	\$	<u>40</u>	<u>-</u>	<u>40</u>	<u>-</u>	<u>40</u>
Financial assets at fair value through other comprehensive income — non-current:						
Domestic unlisted stocks	\$	28,824	-	-	28,824	28,824
Foreign unlisted stocks		238	-	-	238	238
	\$	<u>29,062</u>	<u>-</u>	<u>-</u>	<u>29,062</u>	<u>29,062</u>
Financial liabilities at fair value through profit or loss — current:						
Derivatives — foreign currency forward contracts	\$	373	-	373	-	373
	\$	<u>373</u>	<u>-</u>	<u>373</u>	<u>-</u>	<u>373</u>
		December 31, 2022				
		Carrying amount	Fair Value			Total
			Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss — current:						
Derivatives — foreign exchange swaps	\$	980	-	980	-	980
	\$	<u>980</u>	<u>-</u>	<u>980</u>	<u>-</u>	<u>980</u>
Financial assets at fair value through other comprehensive income — non-current:						
Domestic unlisted stocks	\$	29,616	-	-	29,616	29,616
Foreign unlisted stocks		153	-	-	153	153
	\$	<u>29,769</u>	<u>-</u>	<u>-</u>	<u>29,769</u>	<u>29,769</u>
Financial liabilities at fair value through profit or loss — current:						
Derivatives — foreign currency forward contracts	\$	892	-	892	-	892
Derivatives — foreign exchange swaps		120	-	120	-	120
	\$	<u>1,012</u>	<u>-</u>	<u>1,012</u>	<u>-</u>	<u>1,012</u>

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	March 31, 2022				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss — current:					
Derivatives — foreign currency forward contracts	\$ 165	-	165	-	165
Derivatives — foreign exchange swaps	312	-	312	-	312
	<u>\$ 477</u>	<u>-</u>	<u>477</u>	<u>-</u>	<u>477</u>
Financial assets at fair value through other comprehensive income — non-current:					
Domestic unlisted stocks	\$ 25,749	-	-	25,749	25,749
Foreign unlisted stocks	356	-	-	356	356
	<u>\$ 26,105</u>	<u>-</u>	<u>-</u>	<u>26,105</u>	<u>26,105</u>
Financial liabilities at fair value through profit or loss — current:					
Derivatives — foreign currency forward contracts	\$ 1,250	-	1,250	-	1,250
Derivatives — foreign exchange swaps	189	-	189	-	189
	<u>\$ 1,439</u>	<u>-</u>	<u>1,439</u>	<u>-</u>	<u>1,439</u>

(v) Valuation techniques used in fair value measurement

1) Non-derivative financial instruments

The fair value of financial instruments traded in active liquid markets is determined with reference to quoted market prices.

Except for the abovementioned financial instruments traded in an active market, the fair value of other financial instruments are based on the valuation techniques or the quotation from counterparty. The fair value using valuation techniques refers to the current fair value of other financial instruments with similar conditions and characteristics, or using a discounted cash flow method, or other valuation techniques which include model calculating with observable market data at the reporting date.

The fair value of unlisted stock held by the Group is estimated by using the market approach and is determined by reference to valuations of similar companies, third-party quotation, and recent financing and operating activities. The significant unobservable inputs are primarily the liquidity discounts. No quantitative information is disclosed due to that the possible changes in liquidity discounts would not cause significant potential financial impact.

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
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2) Derivative financial instruments

The fair value of derivative financial instruments is determined using a valuation technique, generally accepted by market participants. The fair value of foreign currency forward contracts and foreign exchange swaps is usually determined by the forward currency exchange rate.

(vi) Transfers between levels of the fair value hierarchy

There were no transfers among fair value hierarchies for the three months ended March 31, 2023 and 2022.

(vii) Movement in financial assets included in Level 3 of fair value hierarchy:

	For the three months ended March 31,	
	2023	2022
Balance, beginning of period	\$ 29,769	26,056
Gains (losses) recognized in other comprehensive income, and presented in unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(710)	44
Effect of exchange rate changes	3	5
Balance, end of period	<u><u>\$ 29,062</u></u>	<u><u>26,105</u></u>

(y) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(x) of the consolidated financial statements for the year ended December 31, 2022.

(z) Capital management

The objectives, policies and processes of capital management of the Group are in conformity with those disclosed in the consolidated financial statements for the year ended December 31, 2022. There were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2022. Please refer to note 6(y) of the consolidated financial statements for the year ended December 31, 2022 for related details.

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(aa) Investing and financing activities not affecting current cash flow

(i) For acquisition of right-of-use assets under operating lease for the three months ended March 31, 2023 and 2022, please refer to note 6(j).

(ii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2023	Cash flows	Non-cash changes Acquisition	March 31, 2023
Short-term borrowings	\$ 92,145	121,040	-	213,185
Long-term debt	30,124	(5,504)	-	24,620
Lease liabilities	46,998	(5,241)	16,214	57,971
Guarantee deposits	6,558	(55)	-	6,503
	<u><u>\$ 175,825</u></u>	<u><u>110,240</u></u>	<u><u>16,214</u></u>	<u><u>302,279</u></u>

	January 1, 2022	Cash flows	Non-cash changes Acquisition	March 31, 2022
Short-term borrowings	\$ 251,979	91,581	-	343,560
Lease liabilities	32,934	(4,428)	2,062	30,568
Guarantee deposits	13,845	(7,732)	-	6,113
	<u><u>\$ 298,758</u></u>	<u><u>79,421</u></u>	<u><u>2,062</u></u>	<u><u>380,241</u></u>

7. Related-party transactions:

(a) Name and relationship with related parties

The following are the entities that have had transactions with the Group during the periods covered in the consolidated financial statements.

Name of related parties	Relationship with the Group
Phison Electronics Corporation (“Phison”)	The Company’s director
JoiUp Technology Inc. (“JoiUp”)	The Group’s associate
OTO Photonics Inc. (“OTO”)	The Group’s other related party
Directors, general manager and vice general managers	The Group’s key management personnel

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Significant related-party transactions

(i) Revenue

	For the three months ended March 31,	
	2023	2022
The Group's key management personnel (the Company's director)	\$ <u>507</u>	<u>3,324</u>

The sales prices and payment terms of sales to related parties are not different from those with third-party customers. The payment terms for related parties and third-party customers are EOM 45 days and 30~90 days calculated from the delivery date, respectively. The Group does not receive any collateral for the receivables from related parties. The Group has not recognized a specific allowance for doubtful receivables after assessment.

(ii) Purchases

	For the three months ended March 31,	
	2023	2022
The Group's key management personnel—Phison (the Company's director)	\$ 258,782	428,848
Other related parties	<u>207</u>	<u>189</u>
	<u>258,989</u>	<u>429,037</u>

There are no significant differences between the purchase prices for related parties and those for third-party vendors. The payment terms of EOM 45~60 days show no significant difference between related parties and third-party vendors.

(iii) Receivables

Account	Related-party categories	March 31, 2023	December 31, 2022	March 31, 2022
Accounts receivable from related parties	The Group's key management personnel (the Company's director)	\$ <u>533</u>	<u>377</u>	<u>3,097</u>

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Payables

<u>Account</u>	<u>Related-party categories</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Accounts payable to related parties	The Group's key management personnel — Phison (the Company's director)	\$ 192,006	214,210	299,077
Accounts payable to related parties	Other related parties	113	135	4
Other payables to related parties	The Group's key management personnel (the Company's director)	59	146	-
		<u>\$ 192,178</u>	<u>214,491</u>	<u>299,081</u>

(v) Operating expenses

The operating expenses related to the after-sale service provided by related parties and sundry purchases were as follows:

<u>Account</u>	<u>Related-party categories</u>	<u>For the three months ended March 31,</u>	
		<u>2023</u>	<u>2022</u>
Operating expenses	The Group's key management personnel (the Company's director)	\$ 85	21
	Associates	12	12
		<u>\$ 97</u>	<u>33</u>

(c) Compensation for key management personnel

	<u>For the three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 17,961	21,283
Post-employment benefits	108	108
Share-based payments	-	969
	<u>\$ 18,069</u>	<u>22,360</u>

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

8. Pledged assets:

The carrying amounts of the assets pledged as collateral are detailed below:

Pledged assets	Pledged to secure	March 31, 2023	December 31, 2022	March 31, 2022
Property, plant and equipment	Bank loans and credit facilities	\$ <u>59,171</u>	<u>59,404</u>	<u>-</u>

9. Significant commitments and contingencies:

(a) Significant unrecognized commitments

	March 31, 2023	December 31, 2022	March 31, 2022
Unused letters of credit	\$ <u>15,000</u>	<u>-</u>	<u>-</u>

- (b) As of March 31, 2023, December 31 and March 31, 2022, the Group had outstanding letters of guarantee amounting to \$12,000 for the purpose of the payment of customs duties.

10. Significant loss from disaster: None

11. Significant subsequent events: None

12. Others:

- (a) Employee benefits, depreciation and amortization expenses categorized by function were as follows:

	For the three months ended March 31, 2023			For the three months ended March 31, 2022		
	Cost of revenue	Operating expenses	Total	Cost of revenue	Operating expenses	Total
Employee benefits:						
Salaries	38,760	150,951	189,711	41,461	151,477	192,938
Insurance	4,174	13,306	17,480	3,596	10,723	14,319
Pension	1,470	5,745	7,215	1,489	5,013	6,502
Others	1,583	5,168	6,751	1,271	6,043	7,314
Depreciation	4,833	8,638	13,471	4,828	8,191	13,019
Amortization	799	5,357	6,156	743	1,548	2,291

- (b) Seasonality operations

The Group's operations were not significantly influenced by seasonality or cyclicity factors.

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

13. Additional disclosures:

(a) Information on significant transactions:

In accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Group discloses the following information on significant transactions for the three months ended March 31, 2023:

- (i) Financing provided to other parties: None
- (ii) Guarantee and endorsement provided to other parties: None
- (iii) Marketable securities held at the reporting date (excluding investments in subsidiaries and associates):

(In Thousands of Shares)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	March 31, 2023				Note
				Shares/ Units	Carrying Value	Percentage of Ownership	Fair value	
The Company	Stock: Formosa Golf and Country Club Corp.	-	Financial assets at fair value through other comprehensive income—non-current	3.6	8,908	0.01 %	8,908	-
The Company	Stock: OTO Photonics Inc.	-	Financial assets at fair value through other comprehensive income—non-current	3,772	19,916	11.30 %	19,916	-
AMS	Stock: Futurepath Technology (Shenzhen) Co., Ltd.	-	Financial assets at fair value through other comprehensive income—non-current	31.5	238	0.03 %	238	-

- (iv) Marketable securities for which the accumulated purchase or sale amounts for the period exceed \$300 million or 20% of the paid-in capital: None
- (v) Acquisition of real estate which exceeds \$300 million or 20% of the paid-in capital: None
- (vi) Disposal of real estate which exceeds \$300 million or 20% of the paid-in capital: None

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (vii) Total purchases from and sales to related parties which exceed \$100 million or 20% of the paid-in capital:

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable or (Payable)		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/ (Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Notes/Accounts Receivable or (Payable)	
The Company	AMH	The Company's subsidiary	(Sales)	(113,588)	(7)%	OA30	-	-	39,355	6 %	Note
The Company	Phison	The Company's director	Purchases	201,330	17 %	M45	-	-	156,312	(27)%	-
AMH	The Company	AMH's parent company	Purchases	113,588	100 %	OA30	-	-	(39,355)	(100)%	Note

Note : The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

- (viii) Receivables from related parties which exceed \$100 million or 20% of the paid-in capital:
None
- (ix) Transactions about derivative instruments: Please refer to note 6(b)
- (x) Business relationships and significant intercompany transactions:

Number (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Transaction Details			
				Account	Amount	Payment Terms	Percentage of Consolidated Operating Revenue or Total Assets
0	The Company	AMA	1	Sales	72,713	OA30	4 %
0	The Company	AMK	1	Sales	34,668	OA30	2 %
0	The Company	AMH	1	Sales	113,588	OA30	6 %
0	The Company	AMC	1	Sales	73,990	M60	4 %
0	The Company	AMJ	1	Sales	10,413	M60	1 %
0	The Company	UD	1	Sales	17,441	M30	1 %
1	UD	The Company	2	Sales	1,203	M30	-
0	The Company		AMA	1	Accounts receivable	29,776	OA30
0	The Company	AMK	1	Accounts receivable	22,629	OA30	-
0	The Company	AMH	1	Accounts receivable	39,355	OA30	1 %
0	The Company	AMC	1	Accounts receivable	42,100	M60	1 %
0	The Company	AMJ	1	Accounts receivable	2,385	M60	-
0	The Company	UD	1	Accounts receivable	3,862	M30	-
1	UD	The Company	2	Accounts receivable	307	M30	-

Note 1: Parties to the intercompany transactions are identified and numbered as follows:

1. "0" represents the Company.
2. Subsidiaries are numbered from "1".

Note 2: The relationships with counterparties are as follows:

- No. "1" represents the transactions from the Company to subsidiary.
- No. "2" represents the transactions from subsidiary to the Company.

Note 3: Intercompany relationships and significant intercompany transactions are disclosed only for sales and accounts receivable. The corresponding purchases and accounts payable are not disclosed.

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Information on investees:

For the three months ended March 31, 2023, the information on investees is as follows (excluding investments in Mainland China):

(In Thousands of Shares)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2023			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				March 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Value			
The Company	AMA	USA	Sales of memory modules and storage memory devices	610	610	20	100.00 %	297,312	3,437	3,437	Note
The Company	ACYB	British Virgin Islands	Investment and holding activity	18,542	18,542	2,636	100.00 %	50,598	3,606	3,606	Note
The Company	AMJ	Japan	Sales of memory modules and storage memory devices	2,918	2,918	0.2	100.00 %	21,005	552	552	Note
The Company	ATPL	India	Auxiliary sales of memory modules and storage memory devices	915	915	29	100.00 %	1,525	98	98	Note
The Company	AMK	Hong Kong	Sales of memory modules and storage memory devices	20,917	20,917	5,000	100.00 %	13,138	711	711	Note
The Company	AMH	Netherlands	Sales of memory modules and storage memory devices	130,469	130,469	80	100.00 %	68,356	1,812	1,812	Note
The Company	JoiUp	Taiwan	Cloud services and software development	7,500	7,500	750	11.48 %	226	(1,900)	(218)	-
The Company	UD	Taiwan	Manufacture and sales of memory modules and storage memory devices	380,815	380,815	4,932	68.54 %	456,942	58,326	37,868	Note

Note : The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
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(c) Information on investment in Mainland China:

(i) Name and main businesses and products of investee companies in Mainland China:

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2023	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss) (Note 2)	Carrying Value as of March 31, 2023	Accumulated Inward Remittance of Earnings as of March 31, 2023
					Outflow	Inflow						
Apacer Electronic (Shanghai) Co., Ltd (AMC)	Sales of memory modules and storage memory devices	15,228 (USD 500 thousand)	Type 2	15,228 (USD 500 thousand)	-	-	15,228 (USD 500 thousand)	3,591	100.00 %	3,591	45,753	-
Shenzhen Kylinports Technology Co. (AMS)	Sales of gaming products	22,780 (USD 748 thousand)	Type 2	18,212 (USD 598 thousand)	-	-	18,212 (USD 598 thousand) (Note 3)	(390)	99.00 %	(386)	12,579	-

Note 1: Method of investments:

Type 1: Direct investment in Mainland China.

Type 2: Indirect investment in Mainland China through a holding company established in a third country.

Type 3: Others.

Note 2: Investment income or loss recognized based on the unreviewed financial statements of investee companies.

Note 3: The amount of AMK reinvestments amounting to US\$134 thousand was excluded.

Note 4: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

Note 5: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$30.455.

(ii) Limits on investments in Mainland China:

Accumulated Investment in Mainland China as of March 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
33,440 (USD 1,098 thousand)	37,521 (USD 1,232 thousand)	2,330,085

(iii) Significant transactions with investee companies in Mainland China:

The transactions between parent and investee companies in Mainland China (the intercompany transaction) have been eliminated when preparing the consolidated financial statements. Please refer to section “Information on significant transactions” and “Business relationships and significant intercompany transactions” for detail description.

(d) Major shareholders:

Major Shareholder's Name	Shareholding	Shares	Percentage
Phison Electronics Corporation		12,554,580	10.23 %
Acer Inc.		11,000,000	8.96 %

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

14. Segment information:

The Group's operating segment information and reconciliation are as follows:

For the three months ended March 31, 2023				
	Asia	America and Europe	Adjustments and eliminations	Total
External revenue	\$ 1,672,346	238,712	-	1,911,058
Intra-group revenue	325,260	-	(325,260)	-
Total segment revenue	<u>\$ 1,997,606</u>	<u>238,712</u>	<u>(325,260)</u>	<u>1,911,058</u>
Segment profit (loss)	<u>\$ 226,787</u>	<u>7,388</u>	<u>(51,919)</u>	<u>182,256</u>
For the three months ended March 31, 2022				
	Asia	America and Europe	Adjustments and eliminations	Total
External revenue	\$ 1,923,560	379,900	-	2,303,460
Intra-group revenue	503,473	3	(503,476)	-
Total segment revenue	<u>\$ 2,427,033</u>	<u>379,903</u>	<u>(503,476)</u>	<u>2,303,460</u>
Segment profit (loss)	<u>\$ 201,976</u>	<u>9,560</u>	<u>(12,655)</u>	<u>198,881</u>