

**APACER TECHNOLOGY INC.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2024 and 2023**

Address: 1F, No.32, Zhongcheng Rd., Tucheng Dist., New Taipei City 236, Taiwan (R.O.C.)
Telephone: +886-2-2267-8000

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.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Organization and business	8
(2) Authorization of the consolidated financial statements	8
(3) Application of new, revised or amended accounting standards and interpretations	8~10
(4) Summary of material accounting policies	10~11
(5) Critical accounting judgments and key sources of estimation uncertainty	12
(6) Significant account disclosures	12~39
(7) Related-party transactions	40~43
(8) Pledged assets	43
(9) Significant commitments and contingencies	43
(10) Significant loss from disaster	43
(11) Significant subsequent events	43
(12) Others	44
(13) Additional disclosures	
(a) Information on significant transactions	45~46
(b) Information on investees	47
(c) Information on investment in Mainland China	47~48
(d) Major shareholders	48
(14) Segment information	48~49

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 June 30, 2024 and 2023, and the related consolidated statements of comprehensive income for the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, changes in equity and cash flows for the six months ended June 30, 2024 and 2023, and notes to the consolidated financial statements, including a summary of material 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 \$728,544 thousand and \$694,202 thousand, constituting 11.00% and 11.17% of consolidated total assets as of June 30, 2024 and 2023, respectively, total liabilities amounting to \$50,720 thousand and \$60,322 thousand, constituting 2.43% and 2.91% of consolidated total liabilities as of June 30, 2024 and 2023, respectively, and total comprehensive income amounting to \$9,010 thousand and \$11,141 thousand, constituting 8.82% and 7.97% of consolidated total comprehensive income for the three months ended June 30, 2024 and 2023, respectively, and \$48,311 thousand and \$18,028 thousand, constituting 20.03% and 6.41% of consolidated total comprehensive income for the six months ended June 30, 2024 and 2023, 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 six months ended June 30, 2024 and 2023, 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 \$1,210 thousand and \$147 thousand as of June 30, 2024 and 2023, respectively, and the share of losses of the equity accounted investee company amounted to \$88 thousand and \$79 thousand for the three months ended June 30, 2024 and 2023, respectively, and \$141 thousand and \$297 thousand for the six months ended June 30, 2024 and 2023, 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 June 30, 2024 and 2023, and of their consolidated financial performance for the three months ended June 30, 2024 and 2023, and of their consolidated financial performance and their consolidated cash flows for the six months ended June 30, 2024 and 2023 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 Yuan-Sheng Yin and Wei-Ming Shih.

KPMG

Taipei, Taiwan (Republic of China)
July 26, 2024

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.

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

APACER TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollar, Except for Earnings Per Share)

	For the three months ended				For the six months ended			
	June 30		June 30		June 30		June 30	
	2024	2023	2024	2023	2024	2023	2024	2023
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Revenue (notes 6(u), 7 and 14)	\$ 1,883,778	100	1,646,683	100	3,830,480	100	3,557,741	100
5000 Cost of revenue (notes 6(f), (i), (j), (n), (s), 7 and 12)	(1,520,698)	(81)	(1,229,810)	(75)	(3,077,525)	(80)	(2,713,602)	(76)
5900 Gross profit	363,080	19	416,873	25	752,955	20	844,139	24
6000 Operating expenses (notes 6(d), (i), (j), (n), (s), (v), 7 and 12):								
6100 Selling expenses	(153,811)	(8)	(151,285)	(9)	(292,834)	(8)	(299,824)	(9)
6200 Administrative expenses	(67,132)	(4)	(64,605)	(4)	(133,274)	(4)	(126,909)	(4)
6300 Research and development expenses	(45,636)	(2)	(44,836)	(3)	(88,623)	(2)	(85,217)	(2)
6450 Reversal of (recognized) expected credit losses	32	-	(840)	-	(781)	-	(367)	-
6000 Total operating expenses	(266,547)	(14)	(261,566)	(16)	(515,512)	(14)	(512,317)	(15)
6900 Operating income	96,533	5	155,307	9	237,443	6	331,822	9
7000 Non-operating income and loss (notes 6(i), (n) and (w)):								
7100 Interest income	13,042	1	12,369	1	23,775	1	21,809	1
7020 Other gains and losses, net	4,591	-	(7)	-	2,740	-	26	-
7050 Finance costs	(3,471)	-	(3,855)	-	(5,502)	-	(7,369)	-
7770 Share of losses of associates	(88)	-	(79)	-	(141)	-	(297)	-
Total non-operating income and loss	14,074	1	8,428	1	20,872	1	14,169	1
7900 Income before income tax	110,607	6	163,735	10	258,315	7	345,991	10
7950 Less: income tax expenses (note 6(q))	(20,684)	(1)	(31,622)	(2)	(48,527)	(2)	(68,219)	(2)
Net income	89,923	5	132,113	8	209,788	5	277,772	8
Other comprehensive income (notes 6(r) and (x)):								
8310 Items that will not be reclassified subsequently to profit or loss:								
8311 Remeasurements of defined benefit plans	-	-	-	-	(4)	-	-	-
8316 Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	6,252	-	2,393	-	7,341	-	1,683	-
8349 Less: income tax related to items that will not be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-
	6,252	-	2,393	-	7,337	-	1,683	-
8360 Items that may be reclassified subsequently to profit or loss:								
8361 Exchange differences on translation of foreign operations	5,974	-	5,211	-	24,120	1	1,801	-
8399 Less: income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-
	5,974	-	5,211	-	24,120	1	1,801	-
Other comprehensive income for the period, net of income tax	12,226	-	7,604	-	31,457	1	3,484	-
8500 Total comprehensive income for the period	\$ 102,149	5	139,717	8	241,245	6	281,256	8
8600 Net income attributable to:								
8610 Shareholders of the Company	\$ 88,880	5	118,209	7	206,441	5	246,490	7
8620 Non-controlling interests	1,043	-	13,904	1	3,347	-	31,282	1
	\$ 89,923	5	132,113	8	209,788	5	277,772	8
8700 Total comprehensive income attributable to:								
8710 Shareholders of the Company	\$ 101,103	5	125,817	7	237,893	6	249,975	7
8720 Non-controlling interests	1,046	-	13,900	1	3,352	-	31,281	1
	\$ 102,149	5	139,717	8	241,245	6	281,256	8
Earnings per share (in New Taiwan Dollar) (note 6(t)):								
9750 Basic earnings per share	\$ 0.69		0.96		1.63		2.01	
9850 Diluted earnings per share	\$ 0.69		0.96		1.61		1.99	

See accompanying notes to the consolidated financial statements.

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

APACER TECHNOLOGY INC. AND SUBSIDIARIES**Consolidated Statements of Changes in Equity****For the six months ended June 30, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollar)**

	Attributable to shareholders of the Company						Exchange differences on translation of foreign operations	Total other equity Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Total equity of the Company	Non-controlling interests	Total equity
	Retained earnings											
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total						
Balance at January 1, 2023	\$ 1,226,882	924,322	458,390	125,783	1,516,200	2,100,373	(39,687)	(47,702)	(87,389)	4,164,188	139,721	4,303,909
Appropriation of earnings:												
Legal reserve	-	-	57,558	-	(57,558)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(38,392)	38,392	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(404,871)	(404,871)	-	-	-	(404,871)	-	(404,871)
Distribution of cash dividends by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(37,677)	(37,677)
Net income for the six months ended June 30, 2023	-	-	-	-	246,490	246,490	-	-	-	246,490	31,282	277,772
Other comprehensive income for the six months ended June 30, 2023	-	-	-	-	-	-	1,801	1,684	3,485	3,485	(1)	3,484
Total comprehensive income for the six months ended June 30, 2023	-	-	-	-	246,490	246,490	1,801	1,684	3,485	249,975	31,281	281,256
Balance at June 30, 2023	\$ 1,226,882	924,322	515,948	87,391	1,338,653	1,941,992	(37,886)	(46,018)	(83,904)	4,009,292	133,325	4,142,617
Balance at January 1, 2024	\$ 1,226,882	925,825	515,948	87,391	1,641,799	2,245,138	(43,434)	(46,050)	(89,484)	4,308,361	153,710	4,462,071
Capital increase in cash (note 6(r))	60,410	229,558	-	-	-	-	-	-	-	289,968	-	289,968
Appropriation of earnings:												
Legal reserve	-	-	54,964	-	(54,964)	-	-	-	-	-	-	-
Special reserve	-	-	-	2,093	(2,093)	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(405,497)	(405,497)	-	-	-	(405,497)	-	(405,497)
Distribution of cash dividends by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(50,017)	(50,017)
Net income for the six months ended June 30, 2024	-	-	-	-	206,441	206,441	-	-	-	206,441	3,347	209,788
Other comprehensive income for the six months ended June 30, 2024	-	-	-	-	(4)	(4)	24,117	7,339	31,456	31,452	5	31,457
Total comprehensive income for the six months ended June 30, 2024	-	-	-	-	206,437	206,437	24,117	7,339	31,456	237,893	3,352	241,245
Balance at June 30, 2024	\$ 1,287,292	1,155,383	570,912	89,484	1,385,682	2,046,078	(19,317)	(38,711)	(58,028)	4,430,725	107,045	4,537,770

See accompanying notes to the consolidated financial statements.

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

APACER TECHNOLOGY INC. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the six months ended June 30, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollar)**

	For the six months ended	
	June 30	
	2024	2023
Cash flows from operating activities:		
Income before income tax	\$ 258,315	345,991
Adjustments:		
Depreciation	29,328	27,340
Amortization	12,958	12,416
Recognized expected credit loss	781	367
Interest expense	5,502	7,369
Interest income	(23,775)	(21,809)
Share of loss of associates	141	297
Loss on disposal of property, plant and equipment	851	267
Gain on lease modifications	(40)	-
Impairment loss on non-financial assets	-	46
Subtotal	<u>25,746</u>	<u>26,293</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss	514	715
Notes and accounts receivable	39,453	(11,027)
Accounts receivable from related parties	(149,881)	(241)
Other receivables	2,755	(5,654)
Inventories	(300,533)	30,369
Other current assets	5,216	27,298
Net changes in operating assets	<u>(402,476)</u>	<u>41,460</u>
Changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	420	(941)
Contract liabilities	(20,669)	(88,964)
Notes and accounts payable	25,732	50,464
Accounts payable to related parties	(395,191)	(32,643)
Other payables	(22,798)	(84,535)
Provisions – current	(125)	(4,276)
Other current liabilities	(3,077)	(4,170)
Net defined benefit liabilities	4	13
Increase in provisions – non-current	500	-
Net changes in operating liabilities	<u>(415,204)</u>	<u>(165,052)</u>
Total changes in operating assets and liabilities	<u>(817,680)</u>	<u>(123,592)</u>
Total adjustments	<u>(791,934)</u>	<u>(97,299)</u>
Cash provided by (used in) operations	(533,619)	248,692
Interest received	24,610	20,256
Interest paid	(4,984)	(6,866)
Income taxes paid	(102,542)	(118,048)
Net cash provided by (used in) operating activities	<u>(616,535)</u>	<u>144,034</u>

See accompanying notes to the consolidated financial statements.

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

APACER TECHNOLOGY INC. AND SUBSIDIARIES**Consolidated Statements of Cash Flows (Continued)****For the six months ended June 30, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollar)**

	For the six months ended June 30	
	2024	2023
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(3,965)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	3,750	-
Acquisition of property, plant and equipment	(15,521)	(8,251)
Acquisition of intangible assets	(1,883)	(1,984)
Decrease in other financial assets — current	625,788	26,592
Increase in other financial assets — non-current	(34,379)	(1,241)
Decrease (increase) in other non-current assets	2,195	(1,056)
Net cash provided by investing activities	<u>575,985</u>	<u>14,060</u>
Cash flows from financing activities:		
Increase in short-term borrowings	181,965	125,800
Repayment of long-term debt	(609)	(5,940)
Increase in guarantee deposits	447	90
Payment of lease liabilities	(10,339)	(10,251)
Capital increase in cash	289,968	-
Net cash provided by financing activities	<u>461,432</u>	<u>109,699</u>
Effect of foreign exchange rate changes	<u>21,361</u>	<u>1,911</u>
Net increase in cash and cash equivalents	442,243	269,704
Cash and cash equivalents at beginning of period	<u>1,061,474</u>	<u>1,419,376</u>
Cash and cash equivalents at end of period	<u>\$ 1,503,717</u>	<u>1,689,080</u>

See accompanying notes to the consolidated financial statements.

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

APACER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollar, 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 July 26, 2024.

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, 2024:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(b) The impact of IFRS endorsed by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2025, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 21 “Lack of Exchangeability”

(Continued)

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

- (c) 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
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> ● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined “operating profit” subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. ● Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. ● Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. 	January 1, 2027

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

(Continued)

APACER TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards— Volume 11

4. Summary of material 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 material accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statements for the year ended December 31, 2023. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2023.

(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, 2023. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2023.

(Continued)

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

(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
			June 30, 2024	December 31, 2023	June 30, 2023	
The Company	Apacer Memory America Inc. (AMA)	Sales of memory modules and storage memory devices	100.00 %	100.00 %	100.00 %	Note 1
The Company	Apacer Technology B.V. (AMH)	Sales of memory modules and storage memory devices	100.00 %	100.00 %	100.00 %	Note 1
The Company	Apacer Technology Japan Corp. (AMJ)	Sales of memory modules and storage memory devices	100.00 %	100.00 %	100.00 %	Note 1
The Company	Kingdom Corp. Limited (AMK)	Sales of memory modules and storage memory devices	100.00 %	100.00 %	100.00 %	Note 1
The Company/ ACYB	Apacer Technologies Private Limited (ATPL)	Auxiliary sales of memory modules and storage memory devices	100.00 %	100.00 %	100.00 %	Note 1
The Company	Apacer Technology (BVI) Inc. (ACYB)	Investment holding activity	100.00 %	100.00 %	100.00 %	Note 1
The Company	UD INFO Corp. (UD)	Manufacture and sales of memory modules and storage memory devices	68.54 %	68.54 %	68.54 %	-
ACYB	Apacer Electronic (Shanghai) Co., Ltd. (AMC)	Sales of memory modules and storage memory devices	100.00 %	100.00 %	100.00 %	Note 1
AMK	Shenzhen Kylesports Technology Co. (AMS)	Sales of gaming products and consumer electronic products	99.00 %	99.00 %	99.00 %	Note 1

Note 1: These are non-significant subsidiaries whose financial statements have not been reviewed as of and for the six months ended June 30, 2024 and 2023.

(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.

(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.

(Continued)

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

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, 2023.

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, 2023. Please refer to note 6 of the consolidated financial statements for the year ended December 31, 2023.

(a) Cash and cash equivalents

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Cash on hand	\$ 96	97	113
Demand deposits	898,681	875,143	907,859
Time deposits with original maturities less than three months	<u>604,940</u>	<u>186,234</u>	<u>781,108</u>
	<u>\$ 1,503,717</u>	<u>1,061,474</u>	<u>1,689,080</u>

As of June 30, 2024, December 31 and June 30, 2023, the time deposits with original maturities of more than three months amounted to \$941,862, \$1,567,650 and \$1,354,031, respectively, which were classified as other financial assets – current.

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

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Financial assets mandatorily measured at fair value through profit or loss – current:			
Foreign currency forward contracts	\$ <u>79</u>	<u>593</u>	<u>265</u>
Financial liabilities held for trading – current:			
Foreign currency forward contracts	\$ <u>(490)</u>	<u>(70)</u>	<u>(71)</u>

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

(Continued)

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

The Group entered into derivative contracts to manage foreign currency exchange risk resulting from its operating activities. As of June 30, 2024, December 31 and June 30, 2023, the derivative financial instruments that did not conform to the criteria for hedge accounting consisted of the following:

June 30, 2024				
	Contract amount (in thousands)	Fair value	Currency (Sell / Buy)	Maturity period
Financial assets—foreign currency forward contracts	JPY 18,300	\$ <u>79</u>	JPY / NTD	2024/07/25
December 31, 2023				
	Contract amount (in thousands)	Fair value	Currency (Sell / Buy)	Maturity period
Financial assets—foreign currency forward contracts	CNY 13,500	\$ <u>593</u>	CNY / NTD	2024/01/26~2024/02/26
June 30, 2023				
	Contract amount (in thousands)	Fair value	Currency (Sell / Buy)	Maturity period
Financial assets—foreign currency forward contracts	CNY 13,400	\$ 189	CNY / NTD	2023/07/26~2023/08/28
	JPY 12,000	<u>76</u>	JPY / NTD	2023/07/26
		<u>\$ 265</u>		
June 30, 2024				
	Contract amount (in thousands)	Fair value	Currency (Sell / Buy)	Maturity period
Financial liabilities—foreign currency forward contracts	CNY 8,700	\$ (182)	CNY / NTD	2024/07/26~2024/08/26
	USD 2,300	<u>(308)</u>	USD / NTD	2024/07/10~2024/07/15
		<u>\$ (490)</u>		

(Continued)

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

December 31, 2023				
	Contract amount (in thousands)	Fair value	Currency (Sell / Buy)	Maturity period
Financial liabilities – foreign currency forward contracts	JPY 19,000	\$ <u>(70)</u>	JPY / NTD	2024/01/26

June 30, 2023				
	Contract amount (in thousands)	Fair value	Currency (Sell / Buy)	Maturity period
Financial liabilities – foreign currency forward contracts	USD 1,500	\$ <u>(71)</u>	USD / NTD	2023/07/14

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

	June 30, 2024	December 31, 2023	June 30, 2023
Equity investments at fair value through other comprehensive income:			
Domestic unlisted stocks	\$ 42,464	35,034	31,314
Foreign unlisted stocks	<u>263</u>	<u>137</u>	<u>138</u>
	<u>\$ 42,727</u>	<u>35,171</u>	<u>31,452</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.

No strategic investments were disposed for the six months ended June 30, 2024 and 2023, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(d) Notes and accounts receivable

	June 30, 2024	December 31, 2023	June 30, 2023
Notes and accounts receivable	\$ 757,447	796,900	768,747
Accounts receivable from related parties	<u>150,439</u>	<u>558</u>	<u>618</u>
	907,886	797,458	769,365
Less: loss allowance	<u>(22,198)</u>	<u>(21,417)</u>	<u>(22,188)</u>
	<u>\$ 885,688</u>	<u>776,041</u>	<u>747,177</u>

(Continued)

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

As of June 30, 2024, December 31 and June 30, 2023, 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:

	June 30, 2024		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 753,103	0.0001%	1
Past due 1-90 days	132,532	0.0385%	51
Past due 91-180 days	208	49.5192%	103
Past due over 181 days	<u>22,043</u>	100%	<u>22,043</u>
	<u>\$ 907,886</u>		<u>22,198</u>

	December 31, 2023		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 701,045	0.0001%	1
Past due 1-90 days	75,590	0.7911%	599
Past due 91-180 days	18	66.67%	12
Past due over 181 days	<u>20,805</u>	100%	<u>20,805</u>
	<u>\$ 797,458</u>		<u>21,417</u>

	June 30, 2023		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 647,098	0.0001%	1
Past due 1-90 days	101,155	1.0637%	1,075
Past due over 181 days	<u>21,112</u>	100%	<u>21,112</u>
	<u>\$ 769,365</u>		<u>22,188</u>

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

	For the six months ended	
	June 30,	
	2024	2023
Balance at January 1	\$ 21,417	21,821
Impairment loss recognized	<u>781</u>	<u>367</u>
Balance at June 30	<u>\$ 22,198</u>	<u>22,188</u>

(Continued)

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

(e) Other receivables

	June 30, 2024	December 31, 2023	June 30, 2023
Other receivables	<u>\$ 6,110</u>	<u>9,700</u>	<u>7,207</u>

There is no loss allowance provision for other receivables on June 30, 2024, December 31 and June 30, 2023 after the assessment.

(f) Inventories

	June 30, 2024	December 31, 2023	June 30, 2023
Raw materials	\$ 685,836	583,527	279,869
Work in process	104,181	111,133	168,856
Finished goods	919,618	738,524	388,551
Inventories in transit	<u>81,379</u>	<u>57,297</u>	<u>87,839</u>
	<u>\$ 1,791,014</u>	<u>1,490,481</u>	<u>925,115</u>

For the six months ended June 30, 2024 and 2023, the amounts of inventories recognized as cost of revenue were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Cost of inventories sold	\$ 1,509,957	1,288,784	3,088,297	2,762,565
(Reversal of) inventories write-downs	<u>10,741</u>	<u>(58,974)</u>	<u>(10,772)</u>	<u>(48,963)</u>
	<u>\$ 1,520,698</u>	<u>1,229,810</u>	<u>3,077,525</u>	<u>2,713,602</u>

The above write-downs of inventories to net realizable value, and reversal of inventories write-downs due to price recovery, or sale or consumption of beginning inventories which has been written down, 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:

	June 30, 2024	December 31, 2023	June 30, 2023
Associates	<u>\$ 1,210</u>	<u>1,351</u>	<u>147</u>

There were no significant changes in investments accounted for using equity method for the six months ended June 30, 2024 and 2023. Please refer to note 6(f) of the consolidated financial statements for the year ended December 31, 2023 for related information.

(Continued)

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

(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) Subsidiaries that have material non-controlling interest

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

<u>Subsidiaries</u>	<u>Principal place of business/ Registration country</u>	<u>The percentage of ownership and voting rights held by non-controlling interests</u>		
		<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
UD INFO Corp. (UD)	Taiwan	31.46 %	31.46 %	31.46 %

The summarized financial information of subsidiaries was as follows, the information was prepared in accordance with Taiwan-IFRS Accounting Standards. 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:

(i) The summarized financial information of UD:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Current assets	\$ 501,682	504,906	613,490
Non-current assets	264,694	267,654	269,484
Current liabilities	(269,460)	(125,576)	(298,919)
Non-current liabilities	(41,195)	(43,109)	(45,145)
Net assets	<u>\$ 455,721</u>	<u>603,875</u>	<u>538,910</u>
The carrying amount of non-controlling interests	<u>\$ 106,934</u>	<u>153,597</u>	<u>133,207</u>

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Net sales	<u>\$ 146,463</u>	<u>190,227</u>	<u>278,227</u>	<u>480,039</u>
Net income	\$ 3,641	44,229	10,810	99,520
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>\$ 3,641</u>	<u>39,566</u>	<u>10,810</u>	<u>99,520</u>
Net income attributable to non-controlling interests	<u>\$ 1,047</u>	<u>13,909</u>	<u>3,354</u>	<u>31,292</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 1,047</u>	<u>13,909</u>	<u>3,354</u>	<u>31,292</u>

(Continued)

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

	For the six months ended	
	June 30,	
	2024	2023
Cash flow from operating activities	\$ (47,987)	128,095
Cash flow from investing activities	105,984	(72,878)
Cash flow from financing activities	(909)	(6,237)
Effects of foreign exchange rate changes	-	-
Net increase in cash and cash equivalents	\$ 57,088	48,980
Cash dividends paid to non-controlling interests	\$ -	-

(i) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
Cost:						
Balance at January 1, 2024	\$ 598,567	339,429	199,808	70,790	483	1,209,077
Additions	-	6,109	7,239	1,657	516	15,521
Disposals	-	-	(3,026)	(280)	-	(3,306)
Reclassification and effect of exchange rate changes	-	(36)	458	534	(426)	530
Balance at June 30, 2024	\$ 598,567	345,502	204,479	72,701	573	1,221,822
Balance at January 1, 2023	\$ 598,567	341,544	191,052	92,716	5,263	1,229,142
Additions	-	473	5,122	1,956	700	8,251
Disposals	-	(3,770)	(11,747)	(10,833)	-	(26,350)
Reclassification and effect of exchange rate changes	-	(42)	5,607	(95)	(5,600)	(130)
Balance at June 30, 2023	\$ 598,567	338,205	190,034	83,744	363	1,210,913
Accumulated depreciation and impairment loss:						
Balance at January 1, 2024	\$ -	91,402	145,144	56,842	-	293,388
Depreciation	-	7,140	8,267	3,093	-	18,500
Disposals	-	-	(2,175)	(280)	-	(2,455)
Reclassification and effect of exchange rate changes	-	(16)	30	455	-	469
Balance at June 30, 2024	\$ -	98,526	151,266	60,110	-	309,902
Balance at January 1, 2023	\$ -	81,165	154,595	75,980	-	311,740
Depreciation	-	6,986	7,016	3,049	-	17,051
Disposals	-	(3,770)	(11,747)	(10,566)	-	(26,083)
Impairment loss	-	-	46	-	-	46
Reclassification and effect of exchange rate changes	-	(15)	7	(35)	-	(43)
Balance at June 30, 2023	\$ -	84,366	149,917	68,428	-	302,711
Carrying amounts:						
Balance at June 30, 2024	\$ 598,567	246,976	53,213	12,591	573	911,920
Balance at January 1, 2024	\$ 598,567	248,027	54,664	13,948	483	915,689
Balance at June 30, 2023	\$ 598,567	253,839	40,117	15,316	363	908,202

(Continued)

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

For the six months ended June 30, 2023, the Group recognized an impairment loss on property, plant and equipment of \$46, which was 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.

(j) Right-of-use assets

	<u>Buildings</u>	<u>Other equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2024	\$ 61,074	18,899	79,973
Additions	6,899	4,712	11,611
Derecognition	(3,923)	(4,551)	(8,474)
Effect of exchange rates changes	1,445	-	1,445
Balance at June 30, 2024	<u>\$ 65,495</u>	<u>19,060</u>	<u>84,555</u>
Balance at January 1, 2023	\$ 56,977	21,899	78,876
Additions	15,391	849	16,240
Derecognition	(10,661)	(1,062)	(11,723)
Effect of exchange rates changes	(332)	-	(332)
Balance at June 30, 2023	<u>\$ 61,375</u>	<u>21,686</u>	<u>83,061</u>
Accumulated depreciation:			
Balance at January 1, 2024	\$ 24,908	13,549	38,457
Depreciation	8,052	2,776	10,828
Derecognition	(1,830)	(4,551)	(6,381)
Effect of exchange rates changes	448	38	486
Balance at June 30, 2024	<u>\$ 31,578</u>	<u>11,812</u>	<u>43,390</u>
Balance at January 1, 2023	\$ 20,572	11,859	32,431
Depreciation	7,536	2,753	10,289
Derecognition	(10,661)	(1,062)	(11,723)
Effect of exchange rates changes	(230)	18	(212)
Balance at June 30, 2023	<u>\$ 17,217</u>	<u>13,568</u>	<u>30,785</u>
Carrying amounts:			
Balance at June 30, 2024	<u>\$ 33,917</u>	<u>7,248</u>	<u>41,165</u>
Balance at January 1, 2024	<u>\$ 36,166</u>	<u>5,350</u>	<u>41,516</u>
Balance at June 30, 2023	<u>\$ 44,158</u>	<u>8,118</u>	<u>52,276</u>

(Continued)

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 amounts:						
Balance at June 30, 2024	\$ <u>115,683</u>	<u>29,702</u>	<u>2,199</u>	<u>51,691</u>	<u>16,714</u>	<u>215,989</u>
Balance at January 1, 2024	\$ <u>115,683</u>	<u>31,544</u>	<u>2,283</u>	<u>56,390</u>	<u>19,424</u>	<u>225,324</u>
Balance at June 30, 2023	\$ <u>115,683</u>	<u>35,627</u>	<u>2,366</u>	<u>61,090</u>	<u>22,135</u>	<u>236,901</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, 2023; please refer to note 6(j) of the consolidated financial statements for the year ended December 31, 2023 for more details. As of June 30, 2024, the Group assessed the achievement of the forecasted revenue and operating income of CGUs to which the goodwill are allocated for the six months ended June 30, 2024, 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 six months ended June 30, 2024 and 2023. Information on amortization for the period is presented in note 12(a). Please refer to note 6(j) of the consolidated financial statements for the year ended December 31, 2023 for other related information.

(l) Short-term borrowings

The details of short-term borrowings were as follows:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Unsecured bank loans	\$ <u>243,375</u>	<u>61,410</u>	<u>217,945</u>
Unused credit facilities	\$ <u>1,481,175</u>	<u>1,649,985</u>	<u>1,737,279</u>
Interest rate interval	<u>6.23%~6.25%</u>	<u>6.41%</u>	<u>6.14%~6.41%</u>

(m) Long-term debt

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Secured bank loans	\$ 22,970	23,579	24,184
Less: current portion of long-term debt	(1,240)	(1,228)	(1,216)
	<u>\$ 21,730</u>	<u>22,351</u>	<u>22,968</u>
Unused credit facilities	<u>\$ 1,114</u>	<u>505</u>	<u>12,116</u>
Interest rate interval	<u>2.10%</u>	<u>1.98%</u>	<u>1.98%</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 amounts of lease liabilities were as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Current	\$ <u>17,472</u>	<u>19,688</u>	<u>20,598</u>
Non-current	\$ <u>23,952</u>	<u>22,597</u>	<u>32,389</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 June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Interest on lease liabilities	\$ <u>257</u>	<u>333</u>	<u>520</u>	<u>648</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>471</u>	<u>180</u>	<u>797</u>	<u>375</u>
Expenses relating to short-term leases	\$ <u>103</u>	<u>88</u>	<u>258</u>	<u>466</u>

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

	For the six months ended June 30,	
	2024	2023
Total cash outflows for leases	\$ <u>11,914</u>	<u>11,740</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.

(Continued)

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

(o) Provisions

	June 30, 2024	December 31, 2023	June 30, 2023
Warranties	\$ 7,241	7,378	4,667
Sales returns and allowances	2,128	2,116	1,601
	<u>\$ 9,369</u>	<u>9,494</u>	<u>6,268</u>

There were no significant changes in provisions for the six months ended June 30, 2024 and 2023. Please refer to note 6(n) of the consolidated financial statements for the year ended December 31, 2023 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, 2023 and 2022.

(ii) The pension expenses recognized in profit or loss in respect of defined contribution plans and defined benefit plans for the three months and for the six months ended June 30, 2024 and 2023, 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 June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Current income tax expense				
Current period	<u>\$ 20,684</u>	<u>31,622</u>	<u>48,527</u>	<u>68,219</u>

(ii) For the six months ended June 30, 2024 and 2023, 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 2022 have been examined and approved by the R.O.C. income tax authorities.

(Continued)

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

(r) Capital and other equity

(i) Common stock

As of June 30, 2024, December 31 and June 30, 2023, the Company's authorized shares of common stock consisted of 200,000 thousand shares, of which 128,729, 122,688 and 122,688 thousand shares, respectively, were issued. The par value of the Company's common stock is NTD 10 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 six months ended	
	June 30,	
	2024	2023
Balance at January 1	122,688	122,225
Capital increase in cash	6,041	-
Vested restricted stock issued to employees	-	463
Balance at June 30	128,729	122,688

1) In order to seek opportunities for technical cooperation and strategic alliances with domestic and international partners and enrich the necessary working capital in response to develop long-term operations, the Company's Board of Directors meeting held on February 23, 2024 resolved to raise capital through private placement. The effective date of capital increase was on March 1, 2024 and the relevant statutory registration procedures have been completed on April 1, 2024. Details were summarized were as follows:

- a) Shares issued: 6,041 thousand shares of common stock
- b) Issue price: NTD 48 per share
- c) Total proceeds received by the Company: \$289,968
- d) Investor of the private placement: Advantech Corporate Investment
- 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.

(Continued)

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

- f) Others: The Company recognized capital surplus of \$229,558, resulting from the issuance price of Private Placement Shares in excess of common stock's par value.

(ii) Capital surplus

	June 30, 2024	December 31, 2023	June 30, 2023
Paid-in capital in excess of par value	\$ 1,096,441	866,883	866,883
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>15,761</u>	<u>15,761</u>	<u>14,258</u>
	<u>\$ 1,155,383</u>	<u>925,825</u>	<u>924,322</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.

2) Special reserve

In accordance with the requirements issued by the FSC, a portion of earnings shall be allocated as special reserve during earnings distribution. The Company shall make allocation of special reserve for the amount of the current-period total net reduction of other shareholders' equity. An equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than the after-tax net profit in the period that are included in the undistributed current-period earnings and the undistributed prior-period earnings. A portion of the undistributed prior-period earnings shall be reclassified to special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to the net reduction of other shareholders' equity pertaining to prior periods. The amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(Continued)

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

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 2023 and 2022 earnings were approved by the Company's Board of Directors on April 17, 2024 and February 21, 2023, respectively. The resolved appropriation were as follows:

	2023		2022	
	Dividends per share (in NTD)	Amount	Dividends per share (in NTD)	Amount
Dividends per share:				
Cash dividends	\$ 3.15	405,497	3.30	404,871

(iv) Other equity items (net after tax)

1) Foreign currency translation differences

	For the six months ended June 30,	
	2024	2023
Balance at January 1	\$ (43,434)	(39,687)
Foreign exchange differences arising from translation of foreign operations	24,117	1,801
Balance at June 30	\$ (19,317)	(37,886)

(Continued)

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

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

	For the six months ended	
	June 30,	
	2024	2023
Balance at January 1	\$ (46,050)	(47,702)
Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	7,339	1,684
Balance at June 30	<u>\$ (38,711)</u>	<u>(46,018)</u>

- (v) Non-controlling interests

	For the six months ended	
	June 30,	
	2024	2023
Balance at January 1	\$ 153,710	139,721
Equity attributable to non-controlling interest:		
Net income	3,347	31,282
Exchange differences on translation of foreign operations	3	-
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	2	(1)
Distribution of cash dividends by subsidiaries to non-controlling interests	(50,017)	(37,677)
Balance at June 30	<u>\$ 107,045</u>	<u>133,325</u>

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

For the six months ended June 30, 2024 and 2023, the Group had the following share-based payment arrangements:

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

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

(Continued)

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

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 thousands) were as follows:

	<u>2024</u>	<u>2023</u>
Balance at January 1	-	463
Vested	-	(463)
Balance at June 30	<u>-</u>	<u>-</u>

For the six months ended June 30, 2024 and 2023, there was no the compensation cost for restricted stock issued to employees.

- (ii) Employee compensation cost

For the six months ended June 30, 2024 and 2023, there was no expense resulting from share-based payment.

- (t) Earnings per share ("EPS")

- (i) Basic earnings per share

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Net income attributable to shareholders of the Company	<u>\$ 88,880</u>	<u>118,209</u>	<u>206,441</u>	<u>246,490</u>
Weighted-average number of common shares outstanding (in thousands)	<u>128,729</u>	<u>122,688</u>	<u>126,738</u>	<u>122,675</u>
Basic earnings per share (in New Taiwan Dollar)	<u>\$ 0.69</u>	<u>0.96</u>	<u>1.63</u>	<u>2.01</u>

(Continued)

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

(ii) Diluted earnings per share

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Net income attributable to shareholders of the Company	\$ <u>88,880</u>	<u>118,209</u>	<u>206,441</u>	<u>246,490</u>
Weighted-average number of common shares outstanding (in thousands)	128,729	122,688	126,738	122,675
Effect of dilutive potential common shares (in thousands):				
Remuneration to employees	<u>420</u>	<u>534</u>	<u>1,098</u>	<u>1,048</u>
Weighted-average number of common shares outstanding (including effect of dilutive potential common stock)	<u>129,149</u>	<u>123,222</u>	<u>127,836</u>	<u>123,723</u>
Diluted earnings per share (in New Taiwan Dollar)	\$ <u>0.69</u>	<u>0.96</u>	<u>1.61</u>	<u>1.99</u>

(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 June 30, 2024		
	Segment		
	Asia	America and Europe	Total
Major products:			
Flash memory cards	\$ 979,587	174,430	1,154,017
Memory modules	644,527	51,654	696,181
Others	<u>33,580</u>	<u>-</u>	<u>33,580</u>
	<u>\$ 1,657,694</u>	<u>226,084</u>	<u>1,883,778</u>

(Continued)

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

For the three months ended June 30, 2023			
Segment			
	Asia	America and Europe	Total
Major products:			
Flash memory cards	\$ 827,409	171,914	999,323
Memory modules	562,897	79,990	642,887
Others	4,473	-	4,473
	\$ 1,394,779	251,904	1,646,683

For the six months ended June 30, 2024			
Segment			
	Asia	America and Europe	Total
Major products:			
Flash memory cards	\$ 1,948,603	389,392	2,337,995
Memory modules	1,328,013	124,381	1,452,394
Others	40,091	-	40,091
	\$ 3,316,707	513,773	3,830,480

For the six months ended June 30, 2023			
Segment			
	Asia	America and Europe	Total
Major products:			
Flash memory cards	\$ 1,822,525	359,800	2,182,325
Memory modules	1,186,450	130,816	1,317,266
Others	58,150	-	58,150
	\$ 3,067,125	490,616	3,557,741

(Continued)

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

(ii) Contract balances

	June 30, 2024	December 31, 2023	June 30, 2023
Notes and accounts receivable (including related parties)	\$ 907,886	797,458	769,365
Less: loss allowance	<u>(22,198)</u>	<u>(21,417)</u>	<u>(22,188)</u>
	<u>\$ 885,688</u>	<u>776,041</u>	<u>747,177</u>
	June 30, 2024	December 31, 2023	June 30, 2023
Contract liabilities—current	<u>\$ 20,365</u>	<u>41,034</u>	<u>88,668</u>

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

The amounts of revenue recognized for the six months ended June 30, 2024 and 2023 that were included in the contract liabilities balances at January 1, 2024 and 2023 were \$38,470 and \$174,357, respectively.

(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 and six months ended June 30, 2024 and 2023., the Company estimated its remuneration to employees amounting to \$13,752, \$13,591, \$28,195 and \$32,550, respectively, and the remuneration to directors amounting to \$1,803, \$2,129, \$3,878 and \$4,514, 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, 2023 and 2022, the Company estimated its remuneration to employees amounting to \$70,405 and \$83,479, respectively, and the remuneration to directors amounting to \$10,119 and \$10,683, 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.

(Continued)

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

(w) Non-operating income and loss

(i) Interest income

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Interest income from bank deposits	<u>\$ 13,042</u>	<u>12,369</u>	<u>23,775</u>	<u>21,809</u>

(ii) Other gains and losses, net

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Losses on disposal of property, plant and equipment	\$ -	(223)	(851)	(267)
Foreign currency exchange gains (losses)	1,417	(963)	235	(2,210)
Gains (losses) on financial assets and liabilities at fair value through profit or loss	(573)	414	(3,400)	840
Impairment loss on non-financial assets	-	(46)	-	(46)
Accrued expenses reclassified to other income	838	-	1,167	26
Others	<u>2,909</u>	<u>811</u>	<u>5,589</u>	<u>1,683</u>
	<u>\$ 4,591</u>	<u>(7)</u>	<u>2,740</u>	<u>26</u>

(iii) Finance costs

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Interest expense from bank loans	\$ (3,214)	(3,522)	(4,982)	(6,721)
Interest expense from lease liabilities	<u>(257)</u>	<u>(333)</u>	<u>(520)</u>	<u>(648)</u>
	<u>\$ (3,471)</u>	<u>(3,855)</u>	<u>(5,502)</u>	<u>(7,369)</u>

(Continued)

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

(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, 2023.

(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 June 30, 2024, December 31 and June 30, 2023, the Group had unused credit facilities of \$1,482,289, \$1,650,490 and \$1,749,395, 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>
June 30, 2024				
Non-derivative financial liabilities:				
Short-term borrowings	\$ 243,375	(244,598)	(244,598)	-
Long-term debt (including current portion)	22,970	(27,089)	(1,717)	(25,372)
Notes and accounts payable (including related parties)	773,497	(773,497)	(773,497)	-
Other payables	455,597	(455,597)	(455,597)	-
Dividends payable	405,497	(405,497)	(405,497)	-
Lease liabilities	41,424	(42,907)	(18,354)	(24,553)
Guarantee deposits	447	(447)	-	(447)
Derivative financial instruments:				
Foreign currency forward contracts:				
Inflow	-	112,999	112,999	-
Outflow	490	(113,489)	(113,489)	-
December 31, 2023				
Non-derivative financial liabilities:				
Short-term borrowings	\$ 61,410	(61,755)	(61,755)	-
Long-term debt (including current portion)	23,579	(27,686)	(1,690)	(25,996)
Notes and accounts payable (including related parties)	1,142,956	(1,142,956)	(1,142,956)	-
Other payables	427,860	(427,860)	(427,860)	-
Lease liabilities	42,285	(43,522)	(20,442)	(23,080)
Derivative financial instruments:				
Foreign currency forward contracts:				
Inflow	-	4,057	4,057	-
Outflow	70	(4,127)	(4,127)	-

(Continued)

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

June 30, 2023	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>More than 1 year</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 217,945	(219,047)	(219,047)	-
Long-term debt (including current portion)	24,184	(28,532)	(1,691)	(26,841)
Notes and accounts payable (including related parties)	736,493	(736,493)	(736,493)	-
Other payables	405,929	(405,929)	(405,929)	-
Dividends payable	404,871	(404,871)	(404,871)	-
Lease liabilities	52,987	(54,801)	(21,607)	(33,194)
Guarantee deposits	6,648	(6,648)	-	(6,648)
Derivative financial instruments:				
Foreign currency forward contracts:				
Inflow	-	46,632	46,632	-
Outflow	71	(46,703)	(46,703)	-

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

(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 (including current and non-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 Dollar)

June 30, 2024					
	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>NTD (in thousands)</u>	<u>Change in magnitude</u>	<u>Pre-tax effect on profit or loss (in thousands)</u>
Financial assets					
<u>Monetary items</u>					
USD	\$ 32,014	32.450	1,038,854	1 %	10,389
CNY	13,868	4.466	61,934	1 %	619
EUR	319	34.709	11,072	1 %	111
Financial liabilities					
<u>Monetary items</u>					
USD	27,199	32.450	882,608	1 %	8,826
CNY	227	4.466	1,014	1 %	10

(Continued)

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

December 31, 2023					
	Foreign currency (in thousands)	Exchange rate	NTD (in thousands)	Change in magnitude	Pre-tax effect on profit or loss (in thousands)
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 27,686	30.705	850,099	1 %	8,501
CNY	20,542	4.328	88,906	1 %	889
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	30,735	30.705	943,718	1 %	9,437
CNY	3,170	4.328	13,720	1 %	137

June 30, 2023					
	Foreign currency (in thousands)	Exchange rate	NTD (in thousands)	Change in magnitude	Pre-tax effect on profit or loss (in thousands)
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 30,380	31.135	945,881	1 %	9,459
CNY	21,420	4.286	91,806	1 %	918
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	26,500	31.135	825,078	1 %	8,251
CNY	82	4.286	351	1 %	4

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 June 30, 2023 and 2022 were \$1,417 and \$(963), respectively, and for the six months ended June 30, 2023 and 2022 were \$235 and \$(2,210), respectively.

(Continued)

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

(iii) Categories of financial instruments

1) Financial assets

	June 30, 2024	December 31, 2023	June 30, 2023
Financial assets at fair value through profit or loss	\$ <u>79</u>	<u>593</u>	<u>265</u>
Financial assets at fair value through other comprehensive income	<u>42,727</u>	<u>35,171</u>	<u>31,452</u>
Financial assets measured at amortized cost:			
Cash and cash equivalents	1,503,717	1,061,474	1,689,080
Notes and accounts receivable (including related parties)	885,688	776,041	747,177
Other receivables	5,923	7,034	4,690
Other financial assets (including current and non-current)	<u>983,189</u>	<u>1,574,598</u>	<u>1,361,114</u>
Subtotal	<u>3,378,517</u>	<u>3,419,147</u>	<u>3,802,061</u>
Total	<u>\$ 3,421,323</u>	<u>3,454,911</u>	<u>3,833,778</u>

2) Financial liabilities

	June 30, 2024	December 31, 2023	June 30, 2023
Financial liabilities at fair value through profit or loss	\$ <u>490</u>	<u>70</u>	<u>71</u>
Financial liabilities measured at amortized cost:			
Short-term borrowings	243,375	61,410	217,945
Notes and accounts payable (including related parties)	773,497	1,142,956	736,493
Other payables	455,597	427,860	405,929
Dividends payable	405,497	-	404,871
Lease liabilities (including current and non-current)	41,424	42,285	52,987
Long-term debt (including current portion)	22,970	23,579	24,184
Guarantee deposits	<u>447</u>	<u>-</u>	<u>6,648</u>
Subtotal	<u>1,942,807</u>	<u>1,698,090</u>	<u>1,849,057</u>
Total	<u>\$ 1,943,297</u>	<u>1,698,160</u>	<u>1,849,128</u>

(Continued)

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

(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).

	June 30, 2024				
	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	\$ 79	-	79	-	79
Financial assets at fair value through other comprehensive income – non-current:					
Domestic unlisted stocks	\$ 42,464	-	-	42,464	42,464
Foreign unlisted stocks	263	-	-	263	263
	\$ 42,727	-	-	42,727	42,727
Financial liabilities at fair value through profit or loss – current:					
Derivatives – foreign currency forward contracts	\$ 490	-	490	-	490

(Continued)

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

(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.

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 six months ended June 30, 2024 and 2023.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Balance, beginning of period	\$ 36,260	29,062	35,171	29,769
Purchased	3,965	-	3,965	-
Disposals	(3,750)	-	(3,750)	-
Gains recognized in other comprehensive income, and presented in unrealized gains on financial assets measured at fair value through other comprehensive income	6,252	2,393	7,341	1,683
Effect of exchange rate changes	-	(3)	-	-
Balance, end of period	<u>\$ 42,727</u>	<u>31,452</u>	<u>42,727</u>	<u>31,452</u>

(Continued)

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

(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, 2023.

(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, 2023. There were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2023. Please refer to note 6(y) of the consolidated financial statements for the year ended December 31, 2023 for related details.

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

(i) For acquisition of right-of-use assets under operating lease for the six months ended June 30, 2024 and 2023, please refer to note 6(j).

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

	January 1, 2024	Cash flows	Non-cash changes		June 30, 2024
			Acquisition	Acquisition through business combination	
Short-term borrowings	\$ 61,410	181,965	-	-	243,375
Long-term debt	23,579	(609)	-	-	22,970
Lease liabilities	42,285	(10,339)	11,611	(2,133)	41,424
Guarantee deposits	-	447	-	-	447
	<u>\$ 127,274</u>	<u>171,464</u>	<u>11,611</u>	<u>(2,133)</u>	<u>308,216</u>

	January 1, 2023	Cash flows	Non-cash changes		June 30, 2023
			Acquisition	Acquisition through business combination	
Short-term borrowings	\$ 92,145	125,800	-	-	217,945
Long-term debt	30,124	(5,940)	-	-	24,184
Lease liabilities	46,998	(10,251)	16,240	-	52,987
Guarantee deposits	6,558	90	-	-	6,648
	<u>\$ 175,825</u>	<u>109,699</u>	<u>16,240</u>	<u>-</u>	<u>301,764</u>

(Continued)

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

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.

<u>Name of related parties</u>	<u>Relationship with the Group</u>
Phison Electronics Corporation (“Phison”)	Prior to May 31, 2024, Phison was the Company’s director.
JoiUp Technology Inc. (“JoiUp”)	The Group’s associate
Acer Incorporated (“Acer”)	Entity with significant influence over the Group (note 1)
Other related parties:	
Acer Philippines, Inc. (“APHI”)	Acer’s subsidiary (note 1)
Acer Computer Co., Ltd. (“ATH”)	Acer’s subsidiary (note 1)
Servex (Malaysia) Sdn Bhd. (“SMA”)	Acer’s subsidiary (note 1)
Bluechip Infotech Pty Ltd. (“Bluechip”)	Acer’s subsidiary (note 1)
Acer India Private Limited (“AIL”)	Acer’s subsidiary (note 1)
PT. Acer Manufacturing Indonesia (“AMI”)	Acer’s subsidiary (note 1)
Acer Sales And Services Sdn Bhd. (“ASSB”)	Acer’s subsidiary (note 1)
Highpoint Services Network Philippines, Inc. (“HSNP”)	Acer’s subsidiary (note 1)
Weblink International Inc. (“WLII”)	Acer’s subsidiary (note 1)
Acer Gadget Inc. (“AGT”)	Acer’s subsidiary (note 1)
Highpoint Service Network Corporation (“HSNC”)	Acer’s subsidiary (note 1)
Altos Computing Inc. (“ALT”)	Acer’s subsidiary (note 1)
Acer ITS Inc. (“ITS”)	Acer’s subsidiary (note 1)
Acer Synergy Tech Corp. (“AST”)	Acer’s subsidiary (note 1)
Acer Gaming Inc. (“AGM”)	Acer’s subsidiary (note 1)
OTO Photonics Inc. (“OTO”)	The Group’s other related party
Directors, general manager and vice general managers	The Group’s key management personnel

Note 1: Starting May 31, 2024, Acer has become the Company’s director that has significant influence over the Company. Thereafter, Acer has become a related party of the Company.

(Continued)

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

(b) Significant related-party transactions

(i) Revenue

The amounts of significant sales by the Group to related parties were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Entity with significant influence over the Group	\$ 45,991	-	45,991	-
Other related parties	12,056	-	12,056	-
The Group's key management personnel (the Company's director)	(1,171)	683	9,068	1,190
	<u>\$ 56,876</u>	<u>683</u>	<u>67,115</u>	<u>1,190</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 30 days calculated from the delivery date to EOM 60 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

The amounts of significant purchases by the Group from related parties were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
The Group's key management personnel – Phison (the Company's director)	\$ 351,369	214,719	688,339	473,501
Other related parties	538	112	557	319
	<u>\$ 351,907</u>	<u>214,831</u>	<u>688,896</u>	<u>473,820</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.

(Continued)

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

(iii) Receivables

The receivables from related parties were as follows:

<u>Account</u>	<u>Related-party categories</u>	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Accounts receivable from related parties	Entity with significant influence over the Group	\$ 118,508	-	-
	Other related parties	31,931	-	-
	The Group's key management personnel (the Company's director)	-	558	618
		<u>\$ 150,439</u>	<u>558</u>	<u>618</u>

(iv) Payables

The payables to related parties were as follows:

<u>Account</u>	<u>Related-party categories</u>	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Accounts payable to related parties	The Group's key management personnel – Phison (the Company's director)	-	395,743	181,585
	Other related parties	566	14	117
		<u>\$ 566</u>	<u>395,757</u>	<u>181,702</u>
Other payables to related parties	The Group's key management personnel (the Company's director)	-	245	104
	Other related parties	114	-	-
		<u>\$ 114</u>	<u>245</u>	<u>104</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 June 30,</u>		<u>For the six months ended June 30,</u>	
		<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Operating expenses	The Group's key management personnel (the Company's director)	\$ 119	190	136	275
	Associates	45	13	57	25
		<u>\$ 164</u>	<u>203</u>	<u>193</u>	<u>300</u>

(Continued)

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

(c) Compensation for key management personnel

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Short-term employee benefits	\$ 17,078	14,913	38,601	32,874
Post-employment benefits	108	108	216	216
	<u>\$ 17,186</u>	<u>15,021</u>	<u>38,817</u>	<u>33,090</u>

8. Pledged assets

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

Pledged assets	Pledged to secure	June 30, 2024	December 31, 2023	June 30, 2023
Property, plant and equipment	Bank loans and credit facilities	<u>\$ 58,006</u>	<u>58,472</u>	<u>58,938</u>

9. Significant commitments and contingencies

(a) Significant unrecognized commitments

	June 30, 2024	December 31, 2023	June 30, 2023
Unused letters of credit	<u>\$ 35,000</u>	<u>15,000</u>	<u>29,341</u>

(b) As of June 30, 2024, December 31 and June 30, 2023, 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

(Continued)

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

12. Others

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

	For the three months ended June 30, 2024			For the three months ended June 30, 2023		
	Cost of revenue	Operating expenses	Total	Cost of revenue	Operating expenses	Total
Employee benefits:						
Salaries	37,306	137,803	175,109	38,669	151,484	190,153
Insurance	3,905	10,837	14,742	3,802	10,257	14,059
Pension	1,586	6,019	7,605	1,503	6,274	7,777
Others	3,836	12,541	16,377	3,415	10,698	14,113
Depreciation	5,633	9,237	14,870	5,103	8,766	13,869
Amortization	779	5,850	6,629	799	5,461	6,260

	For the six months ended June 30, 2024			For the six months ended June 30, 2023		
	Cost of revenue	Operating expenses	Total	Cost of revenue	Operating expenses	Total
Employee benefits:						
Salaries	76,552	283,858	360,410	77,429	302,435	379,864
Insurance	8,394	24,499	32,893	7,976	23,563	31,539
Pension	3,176	12,029	15,205	2,973	12,019	14,992
Others	5,594	19,448	25,042	4,998	15,866	20,864
Depreciation	11,070	18,258	29,328	9,936	17,404	27,340
Amortization	1,557	11,401	12,958	1,598	10,818	12,416

(b) Seasonality operations

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

(Continued)

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 six months ended June 30, 2024:

- (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	June 30, 2024				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	10,011	0.01 %	10,011	-
The Company	Stock: OTO Photonics Inc.	-	Financial assets at fair value through other comprehensive income – non-current	4,077	32,453	11.23 %	32,453	-
AMS	Futurepath Technology (Shenzhen) Co., Ltd.	-	Financial assets at fair value through other comprehensive income – non-current	31.5	263	0.03 %	263	-

- (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
- (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	AMC	The Company's subsidiary	(Sales)	(225,685)	(7)%	M60	-	-	59,666	7 %	Note 1
The Company	AMH	The Company's subsidiary	(Sales)	(216,951)	(6)%	OA30	-	-	28,900	3 %	Note 1
The Company	AMA	The Company's subsidiary	(Sales)	(194,813)	(6)%	OA30	-	-	29,042	3 %	Note 1
AMC	The Company	AMC's parent company	Purchases	225,685	93 %	M60	-	-	(59,666)	(94)%	Note 1
AMH	The Company	AMH's parent company	Purchases	216,951	100 %	OA30	-	-	(28,900)	(99)%	Note 1
AMA	The Company	AMA's parent company	Purchases	194,813	100 %	OA30	-	-	(29,042)	(100)%	Note 1
The Company	Phison	The Company's director	Purchases	531,568	18 %	M45	-	-	-	-	Note 2

Note 1: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

Note 2: Prior to May 31, 2024, Phison was the Company's director. Starting May 31, 2024, Phison was no longer a related party of the Company.

(Continued)

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

(viii) Receivables from related parties which exceed \$100 million or 20% of the paid-in capital:

(In Thousands of New Taiwan Dollar)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
The Company	Acer	Entity with significant influence over the Group	118,508	4.61	-	-	36,977	-

(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			Percentage of Consolidated Operating Revenue or Total Assets
				Account	Amount	Payment Terms	
0	The Company	AMC	1	Sales	225,685	M60	6 %
0	The Company	AMH	1	Sales	216,951	OA30	6 %
0	The Company	AMA	1	Sales	194,813	OA30	5 %
0	The Company	AMK	1	Sales	66,347	OA30	2 %
0	The Company	AMJ	1	Sales	21,424	M60	1 %
0	The Company	UD	1	Sales	15,684	M30	-
1	UD	The Company	2	Sales	2,040	M30	-
0	The Company	AMC	1	Accounts receivable	59,666	M60	1 %
0	The Company	AMA	1	Accounts receivable	29,042	OA30	-
0	The Company	AMH	1	Accounts receivable	28,900	OA30	-
0	The Company	AMK	1	Accounts receivable	24,408	OA30	-
0	The Company	UD	1	Accounts receivable	8,426	M30	-
0	The Company	AMJ	1	Accounts receivable	3,728	M60	-
1	UD	The Company	2	Accounts receivable	894	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.

(Continued)

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

(b) Information on investees:

For the six months ended June 30, 2024, 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 June 30, 2024			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				June 30, 2024	December 31, 2023	Shares	Percentage of Ownership	Carrying Value			
The Company	AMA	USA	Sales of memory modules and storage memory devices	610	610	20	100.00 %	352,783	14,531	14,531	Note
The Company	ACYB	British Virgin Islands	Investment and holding activity	18,542	18,542	2,636	100.00 %	55,936	1,859	1,859	Note
The Company	AMJ	Japan	Sales of memory modules and storage memory devices	2,918	2,918	0.2	100.00 %	19,530	678	678	Note
The Company	ATPL	India	Auxiliary sales of memory modules and storage memory devices	915	915	29	100.00 %	1,507	(111)	(111)	Note
The Company	AMK	Hong Kong	Sales of memory modules and storage memory devices	20,917	20,917	5,000	100.00 %	15,598	1,989	1,989	Note
The Company	AMH	Netherlands	Sales of memory modules and storage memory devices	130,469	130,469	80	100.00 %	88,512	5,365	5,365	Note
The Company	JoiUp	Taiwan	Cloud services and software development	7,500	7,500	750	10.35 %	1,210	(1,772)	(141)	-
The Company	UD	Taiwan	Manufacture and sales of memory modules and storage memory devices	380,815	380,815	4,932	68.54 %	346,263	16,875	7,306	Note

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

(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, 2024	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2024	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss) (Note 2)	Carrying Value as of June 30, 2024	Accumulated Inward Remittance of Earnings as of June 30, 2024
					Outflow	Inflow						
Apacer Electronic (Shanghai) Co., Ltd. (AMC)	Sales of memory modules and storage memory devices	16,225 (USD 500 thousand)	Type 2	16,225 (USD 500 thousand)	-	-	16,225 (USD 500 thousand)	1,964	100.00 %	1,964	51,567	-
Shenzhen Kylinesports Technology Co. (AMS)	Sales of gaming products	24,273 (USD 748 thousand)	Type 2	19,405 (USD 598 thousand)	-	-	19,405 (USD 598 thousand) (Note 3)	(665)	99.00 %	(658)	10,957	-

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 unaudited financial statements of investee companies.

Note 2: Investment income or loss recognized based on the unaudited 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 Dollar at the exchange rate of US\$1=NT\$32.45.

(Continued)

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

(ii) Limits on investments in Mainland China:

Accumulated Investment in Mainland China as of June 30, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
35,630 (USD 1,098 thousand)	39,978 (USD 1,232 thousand)	2,658,435

(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	9.75 %
Acer Inc.		11,928,000	9.26 %

14. Segment information

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

	For the three months ended June 30, 2024			
	Asia	America and Europe	Adjustments and eliminations	Total
External revenue	\$ 1,657,694	226,084	-	1,883,778
Intra-group revenue	314,812	-	(314,812)	-
Total segment revenue	\$ 1,972,506	226,084	(314,812)	1,883,778
Segment profit (loss)	\$ 117,066	3,089	(9,548)	110,607

	For the three months ended June 30, 2023			
	Asia	America and Europe	Adjustments and eliminations	Total
External revenue	\$ 1,394,779	251,904	-	1,646,683
Intra-group revenue	380,641	-	(380,641)	-
Total segment revenue	\$ 1,775,420	251,904	(380,641)	1,646,683
Segment profit (loss)	\$ 193,417	10,449	(40,131)	163,735

(Continued)

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

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

	For the six months ended June 30, 2024			
	Asia	America and Europe	Adjustments and eliminations	Total
External revenue	\$ 3,316,707	513,773	-	3,830,480
Intra-group revenue	747,232	-	(747,232)	-
Total segment revenue	<u>\$ 4,063,939</u>	<u>513,773</u>	<u>(747,232)</u>	<u>3,830,480</u>
Segment profit (loss)	<u>\$ 270,778</u>	<u>26,887</u>	<u>(39,350)</u>	<u>258,315</u>
	For the six months ended June 30, 2023			
	Asia	America and Europe	Adjustments and eliminations	Total
External revenue	\$ 3,067,125	490,616	-	3,557,741
Intra-group revenue	705,901	-	(705,901)	-
Total segment revenue	<u>\$ 3,773,026</u>	<u>490,616</u>	<u>(705,901)</u>	<u>3,557,741</u>
Segment profit (loss)	<u>\$ 420,204</u>	<u>17,837</u>	<u>(92,050)</u>	<u>345,991</u>