

**APACER TECHNOLOGY INC.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2023 and 2022**

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

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Independent Auditors' Review Report

To the Board of Directors of Apacer Technology Inc.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Apacer Technology Inc. and its subsidiaries as of September 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, changes in equity and cash flows for the nine months ended September 30, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4(b) to the consolidated financial statements, the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$695,531 thousand and \$336,124 thousand, constituting 11.25% and 6.14% of consolidated total assets as of September 30, 2023 and 2022, respectively, total liabilities amounting to \$59,660 thousand and \$39,788 thousand, constituting 3.18% and 2.38% of consolidated total liabilities as of September 30, 2023 and 2022, respectively, and total comprehensive income amounting to \$36,604 thousand and \$13,969 thousand, constituting 22.05% and 8.47% of consolidated total comprehensive income for the three months ended September 30, 2023 and 2022, respectively, and \$54,632 thousand and \$25,545 thousand, constituting 12.22% and 5.17% of consolidated total comprehensive income for the nine months ended September 30, 2023 and 2022, respectively.

Furthermore, as stated in Note 6(g) to the consolidated financial statements, the investments accounted for using equity method of Apacer Technology Inc. and its subsidiaries as of and for the nine months ended September 30, 2023 and 2022, were recognized solely on the financial statements prepared by the investee company, but not reviewed by independent auditors. Such investments accounted for using equity method amounted to \$1,619 thousand and \$694 thousand as of September 30, 2023 and 2022, respectively, and the share of losses of the equity accounted investee company amounted to \$30 thousand and \$196 thousand for the three months ended September 30, 2023 and 2022, respectively, and \$327 thousand and \$670 thousand for the nine months ended September 30, 2023 and 2022, respectively.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee company described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Apacer Technology Inc. and its subsidiaries as of September 30, 2023 and 2022, and of their consolidated financial performance for the three months ended September 30, 2023 and 2022, and of their consolidated financial performance and their consolidated cash flows for the nine months ended September 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)
November 6, 2023

Notes to Readers

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

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

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

APACER TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2023, December 31, and September 30, 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		September 30, 2023		December 31, 2022		September 30, 2022		Liabilities and Equity		September 30, 2023		December 31, 2022		September 30, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 920,885	15	1,419,376	23	1,029,262	19	2100	Short-term borrowings (notes 6(l) and 8)	\$ 64,540	1	92,145	2	100,265	2
1110	Financial assets at fair value through profit or loss — current (note 6(b))	31	-	980	-	13,073	-	2120	Financial liabilities at fair value through profit or loss — current (note 6(b))	864	-	1,012	-	2,594	-
1170	Notes and accounts receivable, net (notes 6(d) and (u))	932,250	15	735,899	12	1,013,323	18	2130	Contract liabilities— current (note 6(u))	108,499	2	177,632	3	121,969	2
1180	Accounts receivable from related parties (notes 6(d), (u) and 7)	942	-	377	-	1,042	-	2170	Notes and accounts payable	768,336	13	504,327	8	572,423	11
1200	Other receivables (note 6(e))	47,313	1	-	-	35,100	1	2180	Accounts payable to related parties (note 7)	335,438	5	214,345	4	232,339	4
1310	Inventories (note 6(f))	1,077,173	17	955,484	16	1,220,931	22	2200	Other payables (notes 6(v) and 7)	367,268	6	452,284	8	385,025	7
1476	Other financial assets— current (notes 6(a) and 8)	1,713,040	28	1,380,623	23	671,555	12	2230	Current income tax liabilities	80,136	1	110,864	2	52,668	1
1479	Other current assets	72,146	1	105,986	2	86,602	2	2250	Provisions— current (note 6(o))	6,912	-	10,544	-	9,675	-
	Total current assets	<u>4,763,780</u>	<u>77</u>	<u>4,598,725</u>	<u>76</u>	<u>4,070,888</u>	<u>74</u>	2280	Lease liabilities— current (note 6(n))	20,679	-	15,659	-	17,546	-
	Non-current assets:							2300	Other current liabilities	28,180	1	28,418	-	30,648	1
1517	Financial assets at fair value through other comprehensive income— non-current (note 6(c))	32,750	-	29,769	1	31,983	-	2322	Current portion of long-term debt (notes 6(m) and 8)	1,222	-	2,016	-	3,988	-
1550	Investments accounted for using equity method (note 6(g))	1,619	-	444	-	694	-		Total current liabilities	<u>1,782,074</u>	<u>29</u>	<u>1,609,246</u>	<u>27</u>	<u>1,529,140</u>	<u>28</u>
1600	Property, plant and equipment (notes 6(i) and 8)	922,100	15	917,402	15	914,656	17		Non-current liabilities:						
1755	Right-of-use assets (note 6(j))	47,969	1	46,445	1	52,264	1	2540	Long-term debt (notes 6(m) and 8)	22,660	-	28,108	1	39,835	1
1780	Intangible assets (notes 6(h) and (k))	231,166	4	245,556	4	251,906	5	2570	Deferred income tax liabilities	20,619	-	22,894	-	20,338	-
1840	Deferred income tax assets	175,117	3	175,117	3	143,438	3	2580	Lease liabilities— non-current (note 6(n))	28,059	1	31,339	1	35,223	1
1980	Other financial assets— non-current	7,068	-	5,842	-	5,752	-	2640	Net defined benefit liabilities	19,995	-	19,982	-	40,555	1
1990	Other non-current assets	1,943	-	2,736	-	961	-	2645	Guarantee deposits	-	-	6,558	-	6,781	-
	Total non-current assets	<u>1,419,732</u>	<u>23</u>	<u>1,423,311</u>	<u>24</u>	<u>1,401,654</u>	<u>26</u>		Total non-current liabilities	<u>91,333</u>	<u>1</u>	<u>108,881</u>	<u>2</u>	<u>142,732</u>	<u>3</u>
									Total liabilities	<u>1,873,407</u>	<u>30</u>	<u>1,718,127</u>	<u>29</u>	<u>1,671,872</u>	<u>31</u>
									Equity attributable to shareholders of the Company (note 6(r)):						
								3100	Common stock	1,226,882	20	1,226,882	20	1,116,882	20
								3200	Capital surplus	925,824	15	924,322	15	671,322	12
								3300	Retained earnings	2,081,826	33	2,100,373	35	1,955,399	36
								3400	Other equity	(70,151)	(1)	(87,389)	(1)	(75,432)	(1)
									Total equity attributable to shareholders of the Company	<u>4,164,381</u>	<u>67</u>	<u>4,164,188</u>	<u>69</u>	<u>3,668,171</u>	<u>67</u>
								36XX	Non-controlling interests (notes 6(h) and (r))	145,724	3	139,721	2	132,499	2
									Total equity	<u>4,310,105</u>	<u>70</u>	<u>4,303,909</u>	<u>71</u>	<u>3,800,670</u>	<u>69</u>
									Total liabilities and equity	<u>\$ 6,183,512</u>	<u>100</u>	<u>6,022,036</u>	<u>100</u>	<u>5,472,542</u>	<u>100</u>
	Total assets	<u>\$ 6,183,512</u>	<u>100</u>	<u>6,022,036</u>	<u>100</u>	<u>5,472,542</u>	<u>100</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 Comprehensive Income

For the three months and nine months ended September 30, 2023 and 2022

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

	For the three months ended September 30				For the nine months ended September 30				
	2023		2022		2023		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Revenue (notes 6(u), 7 and 14)	\$ 1,925,501	100	2,245,226	100	5,483,242	100	6,661,546	100
5000	Cost of revenue (notes 6(f), (i), (j), (n), (s), 7 and 12)	<u>(1,473,972)</u>	<u>(77)</u>	<u>(1,860,146)</u>	<u>(83)</u>	<u>(4,187,574)</u>	<u>(76)</u>	<u>(5,396,990)</u>	<u>(81)</u>
5900	Gross profit	<u>451,529</u>	<u>23</u>	<u>385,080</u>	<u>17</u>	<u>1,295,668</u>	<u>24</u>	<u>1,264,556</u>	<u>19</u>
6000	Operating expenses (notes 6(d), (i), (j), (n), (s), (v), 7 and 12):								
6100	Selling expenses	(157,293)	(8)	(134,406)	(5)	(457,117)	(8)	(404,186)	(6)
6200	Administrative expenses	(65,670)	(3)	(62,814)	(3)	(192,579)	(4)	(193,677)	(3)
6300	Research and development expenses	(48,146)	(3)	(39,741)	(2)	(133,363)	(3)	(119,751)	(2)
6450	Expected credit losses	<u>(342)</u>	<u>-</u>	<u>(121)</u>	<u>-</u>	<u>(709)</u>	<u>-</u>	<u>(17,814)</u>	<u>-</u>
6000	Total operating expenses	<u>(271,451)</u>	<u>(14)</u>	<u>(237,082)</u>	<u>(10)</u>	<u>(783,768)</u>	<u>(15)</u>	<u>(735,428)</u>	<u>(11)</u>
6900	Operating income	<u>180,078</u>	<u>9</u>	<u>147,998</u>	<u>7</u>	<u>511,900</u>	<u>9</u>	<u>529,128</u>	<u>8</u>
7000	Non-operating income and loss (notes 6(i), (n) and (w)):								
7100	Interest income	10,017	1	3,108	-	31,826	1	4,095	-
7020	Other gains and losses, net	1,060	-	19,365	1	1,086	-	18,771	-
7050	Finance costs	(3,306)	-	(1,814)	-	(10,675)	-	(4,553)	-
7770	Share of losses of associates	<u>(30)</u>	<u>-</u>	<u>(196)</u>	<u>-</u>	<u>(327)</u>	<u>-</u>	<u>(670)</u>	<u>-</u>
	Total non-operating income and loss	<u>7,741</u>	<u>1</u>	<u>20,463</u>	<u>1</u>	<u>21,910</u>	<u>1</u>	<u>17,643</u>	<u>-</u>
7900	Income before income tax	<u>187,819</u>	<u>10</u>	<u>168,461</u>	<u>8</u>	<u>533,810</u>	<u>10</u>	<u>546,771</u>	<u>8</u>
7950	Less: income tax expenses (note 6(q))	<u>(35,589)</u>	<u>(2)</u>	<u>(32,513)</u>	<u>(2)</u>	<u>(103,808)</u>	<u>(2)</u>	<u>(105,527)</u>	<u>(1)</u>
	Net income	<u>152,230</u>	<u>8</u>	<u>135,948</u>	<u>6</u>	<u>430,002</u>	<u>8</u>	<u>441,244</u>	<u>7</u>
	Other comprehensive income (notes 6(r) and (x)):								
8310	Items that will not be reclassified subsequently to profit or loss:								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(2,452)	-	4,442	-	(769)	-	5,927	-
8349	Less: income tax related to items that will not be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(2,452)</u>	<u>-</u>	<u>4,442</u>	<u>-</u>	<u>(769)</u>	<u>-</u>	<u>5,927</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss:								
8361	Exchange differences on translation of foreign operations	16,208	1	24,484	1	18,009	-	46,660	-
8399	Less: income tax related to items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>16,208</u>	<u>1</u>	<u>24,484</u>	<u>1</u>	<u>18,009</u>	<u>-</u>	<u>46,660</u>	<u>-</u>
	Other comprehensive income for the period, net of income tax	<u>13,756</u>	<u>1</u>	<u>28,926</u>	<u>1</u>	<u>17,240</u>	<u>-</u>	<u>52,587</u>	<u>-</u>
8500	Total comprehensive income for the period	<u>\$ 165,986</u>	<u>9</u>	<u>164,874</u>	<u>7</u>	<u>447,242</u>	<u>8</u>	<u>493,831</u>	<u>7</u>
8600	Net income attributable to:								
8610	Shareholders of the Company	\$ 139,834	7	125,304	6	386,324	7	430,604	6
8620	Non-controlling interests	<u>12,396</u>	<u>1</u>	<u>10,644</u>	<u>-</u>	<u>43,678</u>	<u>1</u>	<u>10,640</u>	<u>1</u>
		<u>\$ 152,230</u>	<u>8</u>	<u>135,948</u>	<u>6</u>	<u>430,002</u>	<u>8</u>	<u>441,244</u>	<u>7</u>
8700	Total comprehensive income attributable to:								
8710	Shareholders of the Company	\$ 153,587	8	154,230	7	403,562	7	483,188	7
8720	Non-controlling interests	<u>12,399</u>	<u>1</u>	<u>10,644</u>	<u>-</u>	<u>43,680</u>	<u>1</u>	<u>10,643</u>	<u>-</u>
		<u>\$ 165,986</u>	<u>9</u>	<u>164,874</u>	<u>7</u>	<u>447,242</u>	<u>8</u>	<u>493,831</u>	<u>7</u>
	Earnings per share (in New Taiwan dollars) (note 6(t)):								
9750	Basic earnings per share	<u>\$ 1.14</u>		<u>1.16</u>		<u>3.15</u>		<u>4.16</u>	
9850	Diluted earnings per share	<u>\$ 1.13</u>		<u>1.14</u>		<u>3.12</u>		<u>4.07</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 Changes in Equity

For the nine months ended September 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company												
	Retained earnings						Total other equity						
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unearned share-based employee compensation	Total	Total equity of the Company	Non-controlling interests	Total equity
Balance at January 1, 2022	\$ 1,018,243	389,146	410,715	108,958	1,299,394	1,819,067	(74,366)	(51,415)	(8,941)	(134,722)	3,091,734	136	3,091,870
Appropriation of earnings:													
Legal reserve	-	-	47,675	-	(47,675)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	16,825	(16,825)	-	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(294,272)	(294,272)	-	-	-	-	(294,272)	-	(294,272)
Net income for the nine months ended September 30, 2022	-	-	-	-	430,604	430,604	-	-	-	-	430,604	10,640	441,244
Other comprehensive income for the nine months ended September 30, 2022	-	-	-	-	-	-	46,660	5,924	-	52,584	52,584	3	52,587
Total comprehensive income for the nine months ended September 30, 2022	-	-	-	-	430,604	430,604	46,660	5,924	-	52,584	483,188	10,643	493,831
Issuance of new shares in exchange for other company's shares	98,639	282,176	-	-	-	-	-	-	-	-	380,815	121,720	502,535
Compensation cost arising from restricted stock issued to employees	-	-	-	-	-	-	-	-	6,706	6,706	6,706	-	6,706
Balance at September 30, 2022	\$ 1,116,882	671,322	458,390	125,783	1,371,226	1,955,399	(27,706)	(45,491)	(2,235)	(75,432)	3,668,171	132,499	3,800,670
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)
Changes in equity of associates accounted for using equity method	-	1,502	-	-	-	-	-	-	-	-	1,502	-	1,502
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(37,677)	(37,677)
Net income for the nine months ended September 30, 2023	-	-	-	-	386,324	386,324	-	-	-	-	386,324	43,678	430,002
Other comprehensive income for the nine months ended September 30, 2023	-	-	-	-	-	-	18,009	(771)	-	17,238	17,238	2	17,240
Total comprehensive income for the nine months ended September 30, 2023	-	-	-	-	386,324	386,324	18,009	(771)	-	17,238	403,562	43,680	447,242
Balance at September 30, 2023	\$ 1,226,882	925,824	515,948	87,391	1,478,487	2,081,826	(21,678)	(48,473)	-	(70,151)	4,164,381	145,724	4,310,105

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 nine months ended September 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	For the nine months ended September 30	
	2023	2022
Cash flows from operating activities:		
Income before income tax	\$ 533,810	546,771
Adjustments:		
Depreciation	41,427	39,252
Amortization	18,808	9,711
Expected credit loss	709	17,814
Interest expense	10,675	4,553
Interest income	(31,826)	(4,095)
Share-based compensation cost	-	6,706
Share of loss of associates	327	670
Loss (gain) on disposal of property, plant and equipment	(733)	11
Impairment loss on non-financial assets	46	251
Subtotal	<u>39,433</u>	<u>74,873</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss	949	1,646
Notes and accounts receivable	(197,060)	323,042
Accounts receivable from related parties	(565)	1,378
Other receivables	(47,143)	(33,265)
Inventories	(121,689)	504,020
Other current assets	35,326	8,654
Net changes in operating assets	<u>(330,182)</u>	<u>805,475</u>
Changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	(148)	2,461
Contract liabilities	(69,133)	84,159
Notes and accounts payable	264,009	(133,714)
Accounts payable to related parties	121,093	(43,444)
Other payables	(85,356)	(15,258)
Provisions	(3,632)	(549)
Other current liabilities	(238)	(113,173)
Net defined benefit liabilities	13	14
Net changes in operating liabilities	<u>226,608</u>	<u>(219,504)</u>
Total changes in operating assets and liabilities	<u>(103,574)</u>	<u>585,971</u>
Total adjustments	<u>(64,141)</u>	<u>660,844</u>
Cash provided by operations	469,669	1,207,615
Interest received	31,656	4,047
Interest paid	(10,335)	(4,501)
Income taxes paid	(138,297)	(187,856)
Net cash provided by operating activities	<u>352,693</u>	<u>1,019,305</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 nine months ended September 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2023	2022
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(3,750)	-
Proceeds from disposal of financial assets at fair value through profit or loss	-	127,489
Acquisition of subsidiary, net of cash received	-	248,556
Acquisition of property, plant and equipment	(30,818)	(17,804)
Proceeds from disposal of property, plant and equipment	1,000	-
Acquisition of intangible assets	(2,337)	(5,946)
Increase in other financial assets — current	(332,417)	(559,115)
Decrease (increase) in other financial assets — non-current	(1,226)	432
Decrease (increase) in other non-current assets	(1,112)	890
Net cash used in investing activities	<u>(370,660)</u>	<u>(205,498)</u>
Cash flows from financing activities:		
Decrease in short-term borrowings	(27,605)	(156,714)
Repayment of long-term debt	(6,242)	(9,017)
Decrease in guarantee deposits	(6,558)	(7,064)
Payment of lease liabilities	(14,500)	(11,699)
Cash dividends distributed to shareholders	(404,871)	(294,272)
Distribution of cash dividend by subsidiaries to non-controlling interests	(37,677)	-
Net cash used in financing activities	<u>(497,453)</u>	<u>(478,766)</u>
Effect of foreign exchange rate changes	<u>16,929</u>	<u>44,157</u>
Net increase (decrease) in cash and cash equivalents	(498,491)	379,198
Cash and cash equivalents at beginning of period	<u>1,419,376</u>	<u>650,064</u>
Cash and cash equivalents at end of period	<u>\$ 920,885</u>	<u>1,029,262</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 nine months ended September 30, 2023 and 2022

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

1. Organization and business

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

2. Authorization of the consolidated financial statements

These consolidated financial statements were authorized for issuance by the Board of Directors on November 6, 2023.

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

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

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

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

- (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, 2024, would not have a significant impact on its consolidated financial statements:

- 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”

(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 Group does not expect the following 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”
- Amendments to IAS 21 “Lack of Exchangeability”

4. Summary of significant accounting policies:

- (a) Statement of compliance

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

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

- (b) Basis of consolidation

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

- (i) List of subsidiaries in the consolidated financial statements

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

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership			Note
			September 30, 2023	December 31, 2022	September 30, 2022	
The Company	Apacer Memory America Inc. (AMA)	Sales of memory modules and storage memory devices	100.00 %	100.00 %	100.00 %	Note 3
The Company	Apacer Technology B.V. (AMH)	Sales of memory modules and storage memory devices	100.00 %	100.00 %	100.00 %	Note 2
The Company	Apacer Technology Japan Corp. (AMJ)	Sales of memory modules and storage memory devices	100.00 %	100.00 %	100.00 %	Note 2

(Continued)

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

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership			Note
			September 30, 2023	December 31, 2022	September 30, 2022	
The Company	Kingdom Corp. Limited (AMK)	Sales of memory modules and storage memory devices	100.00 %	100.00 %	100.00 %	Note 2
The Company/ ACYB	Apacer Technologies Private Limited (ATPL)	Auxiliary sales of memory modules and storage memory devices	100.00 %	100.00 %	100.00 %	Note 2
The Company	Apacer Technology (BVI) Inc. (ACYB)	Investment holding activity	100.00 %	100.00 %	100.00 %	Note 2
The Company	UD INFO Corp. (UD)	Manufacture and sales of memory modules and storage memory devices	68.54 %	68.54 %	68.54 %	Note 1
ACYB	Apacer Electronic (Shanghai) Co., Ltd. (AMC)	Sales of memory modules and storage memory devices	100.00 %	100.00 %	100.00 %	Note 2
AMK	Shenzhen Kylinesports Technology Co. (AMS)	Sales of gaming products and consumer electronic products	99.00 %	99.00 %	99.00 %	Note 2

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

Note 2: These are non-significant subsidiaries whose financial statements have not been reviewed as of and for the nine months ended September 30, 2023 and 2022.

Note 3: AMA is a non-significant subsidiary whose financial statements have not been reviewed as of and for the nine months ended September 30, 2023. However, the financial statements of AMA have been reviewed as of and for the nine months ended September 30, 2022.

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

(c) Employee benefits

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

(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, 2022.

6. Significant account disclosures

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

(a) Cash and cash equivalents

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand	\$ 133	195	199
Demand deposits	802,766	841,716	825,798
Time deposits with original maturities less than three months	<u>117,986</u>	<u>577,465</u>	<u>203,265</u>
	<u>\$ 920,885</u>	<u>1,419,376</u>	<u>1,029,262</u>

As of September 30, 2023, December 31 and September 30, 2022, the time deposits with original maturities of more than three months (excluding pledged time deposits) amounted to \$1,713,040, \$1,380,623 and \$659,555, respectively, which were classified as other financial assets—current.

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

	September 30, 2023	December 31, 2022	September 30, 2022
Financial assets mandatorily at fair value through profit or loss—current:			
Open-ended mutual funds	\$ -	-	10,957
Foreign currency forward contracts	31	-	76
Foreign exchange swaps	<u>-</u>	<u>980</u>	<u>2,040</u>
	<u>\$ 31</u>	<u>980</u>	<u>13,073</u>

(Continued)

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Financial liabilities held for trading— current:			
Foreign currency forward contracts	\$ (864)	(892)	(521)
Foreign exchange swaps	<u>-</u>	<u>(120)</u>	<u>(2,073)</u>
	<u>\$ (864)</u>	<u>(1,012)</u>	<u>(2,594)</u>

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

The Group entered into derivative contracts to manage foreign currency exchange risk resulting from its operating activities. As of September 30, 2023, December 31 and September 30, 2022, the derivative financial instruments that did not conform to the criteria for hedge accounting consisted of the following:

		<u>September 30, 2023</u>			
		<u>Contract amount (in thousands)</u>	<u>Fair value</u>	<u>Currency (Sell / Buy)</u>	<u>Maturity period</u>
Financial assets— foreign	JPY	18,100	<u>\$ 31</u>	JPY / TWD	2023/10/26~2023/11/27
currency forward contracts					
		<u>December 31, 2022</u>			
		<u>Contract amount (in thousands)</u>	<u>Fair value</u>	<u>Currency (Sell / Buy)</u>	<u>Maturity period</u>
Financial assets— foreign	USD	300	<u>\$ 980</u>	TWD / USD	2023/01/04~2023/01/07
exchange swaps					
		<u>September 30, 2022</u>			
		<u>Contract amount (in thousands)</u>	<u>Fair value</u>	<u>Currency (Sell / Buy)</u>	<u>Maturity period</u>
Financial assets— foreign	USD	1,000	<u>\$ 76</u>	USD / TWD	2022/10/07
currency forward contracts					
Financial assets— foreign	USD	500	<u>\$ 2,040</u>	TWD / USD	2022/12/28~2023/01/17
exchange swaps					
		<u>September 30, 2023</u>			
		<u>Contract amount (in thousands)</u>	<u>Fair value</u>	<u>Currency (Sell / Buy)</u>	<u>Maturity period</u>
Financial liabilities— foreign	CNY	15,400	\$ (787)	CNY / TWD	2023/10/13~2023/11/27
currency forward contracts					
	USD	950	(77)	USD / TWD	2023/10/06
			<u>\$ (864)</u>		

(Continued)

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

December 31, 2022					
	Contract amount (in thousands)	Fair value	Currency (Sell / Buy)	Maturity period	
Financial liabilities – foreign currency forward contracts	JPY 20,900	\$ (268)	JPY / TWD	2023/01/30	
	CNY 8,500	(531)	CNY / TWD	2023/01/30	
	USD 2,000	(93)	USD / TWD	2023/01/10~2023/01/13	
		<u>\$ (892)</u>			
Financial liabilities – foreign exchange swaps	USD 3,000	<u>\$ (120)</u>	USD / TWD	2023/01/19	

September 30, 2022					
	Contract amount (in thousands)	Fair value	Currency (Sell / Buy)	Maturity period	
Financial liabilities – foreign currency forward contracts	JPY 14,900	\$ (6)	JPY / TWD	2022/10/25~2022/11/25	
	CNY 9,600	(515)	CNY / TWD	2022/10/25~2022/11/25	
		<u>\$ (521)</u>			
Financial liabilities – foreign exchange swaps	USD 3,000	<u>\$ (2,073)</u>	USD / TWD	2022/10/14	

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

	September 30, 2023	December 31, 2022	September 30, 2022
Equity investments at fair value through other comprehensive income:			
Domestic unlisted stocks	\$ 32,612	29,616	31,804
Foreign unlisted stocks	<u> 138</u>	<u> 153</u>	<u> 179</u>
	<u>\$ 32,750</u>	<u> 29,769</u>	<u> 31,983</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 nine months ended September 30, 2023 and 2022, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(Continued)

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

(d) Notes and accounts receivable

	September 30, 2023	December 31, 2022	September 30, 2022
Notes and accounts receivable	\$ 954,780	757,720	1,037,076
Accounts receivable from related parties	942	377	1,042
	955,722	758,097	1,038,118
Less: loss allowance	(22,530)	(21,821)	(23,753)
	<u><u>\$ 933,192</u></u>	<u><u>736,276</u></u>	<u><u>1,014,365</u></u>

As of September 30, 2023, December 31 and September 30, 2022, aside from recognizing impairment loss for credit-impaired accounts receivable amounting to \$0, \$18,232 and \$18,849, respectively, for notes and accounts receivable with gross carrying amounts of \$0, \$18,232 and \$18,849, respectively, as there was objective evidence indicating that, under reasonable expectation, they would not be recovered in total. The Group applies the simplified approach to measure its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables (including related parties), as well as the incorporated forward-looking information. The loss allowance provision was determined as follows:

	September 30, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 854,773	0.0001%	1
Past due 1-90 days	79,067	0.8196%	647
Past due 91-180 days	1	74.75%	1
Past due over 181 days	21,881	100%	21,881
	<u><u>\$ 955,722</u></u>		<u><u>22,530</u></u>

	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 669,732	0.0002%	2
Past due 1-90 days	67,373	1.2319%	828
Past due 91-180 days	15	93.3333%	14
Past due over 181 days	2,745	100%	2,745
	<u><u>\$ 739,865</u></u>		<u><u>3,589</u></u>

(Continued)

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

	September 30, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 941,760	0.0001%	1
Past due 1-90 days	74,023	1.9156%	1,417
Past due over 181 days	3,486	100%	3,486
	\$ 1,019,269		4,904

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

	For the nine months ended September 30,	
	2023	2022
Balance at January 1	\$ 21,821	5,148
Acquisition through business combination	-	791
Impairment loss recognized	709	17,814
Balance at September 30	\$ 22,530	23,753

(e) Other receivables

	September 30, 2023	December 31, 2022	September 30, 2022
Other receivables	\$ 47,313	-	35,100

There is no loss allowance provision for other receivables on September 30, 2023, December 31 and September 30, 2022 after the assessment.

(f) Inventories

	September 30, 2023	December 31, 2022	September 30, 2022
Raw materials	\$ 346,484	317,238	443,396
Work in process	205,899	184,978	198,848
Finished goods	476,473	421,131	494,294
Inventories in transit	48,317	32,137	84,393
	\$ 1,077,173	955,484	1,220,931

(Continued)

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

For the nine months ended September 30, 2023 and 2022, the amounts of inventories recognized as cost of revenue were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Cost of inventories sold	\$ 1,496,635	1,752,259	4,259,200	5,203,676
(Reversal of) inventories write-downs	<u>(22,663)</u>	<u>107,887</u>	<u>(71,626)</u>	<u>193,314</u>
	<u>\$ 1,473,972</u>	<u>1,860,146</u>	<u>4,187,574</u>	<u>5,396,990</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:

	September 30, 2023	December 31, 2022	September 30, 2022
Associates	<u>\$ 1,619</u>	<u>444</u>	<u>694</u>

There were no significant changes in investments accounted for using equity method for the nine months ended September 30, 2023 and 2022. Please refer to note 6(f) of the consolidated financial statements for the year ended December 31, 2022 for related information.

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

(h) Business combination

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

1) Consideration transferred

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

(Continued)

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

2) Identifiable net assets acquired in a business combination

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

Consideration transferred:

Issuance of additional 9,864 thousand shares of common stock	\$ 380,815
Add: Non-controlling interests (measured at non-controlling interest's proportionate share of the fair value of UD's identifiable net assets)	121,720
Less: identifiable net assets acquired at fair value:	
Cash and cash equivalents	\$ 248,556
Financial assets at fair value through profit or loss	
— current	31,460
Notes and accounts receivable	18,981
Other receivables	1,787
Inventories	238,438
Other financial assets — current	12,000
Other current assets	16,606
Property, plant and equipment	60,802
Right-of-use assets	1,337
Intangible assets — computer software	17
Intangible assets — customer relationships	69,705
Intangible assets — expertise	27,104
Deferred income tax assets	4,415
Other financial assets — non-current	845
Short-term borrowings	(5,000)
Notes and accounts payable (including related parties)	(111,189)
Other payables (including related parties)	(16,096)
Current income tax liabilities	(22,661)
Lease liabilities (including current and non-current)	(1,342)
Other current liabilities	(115,352)
Long-term debt (including current portion)	(52,840)
Deferred income tax liabilities	(20,721)
	<u>386,852</u>
Goodwill	<u>\$ 115,683</u>

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

3) Intangible assets

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

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

(Continued)

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

4) Pro forma information

From the acquisition date to September 30, 2022, UD had contributed the revenue of \$151,075 and the net income of \$33,681 to the Group. If this acquisition had occurred on January 1, 2022, the management estimates that consolidated revenue would have been \$7,035,839, and consolidated income after income tax would have been \$508,444.

(ii) 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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</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-IFRSs. The fair value adjustments made during the acquisition as at the acquisition date were included in the information. Intra-group transactions were not eliminated in this information:

1) The summarized financial information of UD:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Current assets	\$ 584,949	628,711	482,574
Non-current assets	265,285	277,751	277,194
Current liabilities	(227,828)	(295,229)	(162,257)
Non-current liabilities	(43,930)	(52,099)	(61,295)
Net assets	<u>\$ 578,476</u>	<u>559,134</u>	<u>536,216</u>
The carrying amount of non-controlling interests	<u>\$ 145,606</u>	<u>139,592</u>	<u>132,366</u>
	For the three months ended September 30, 2023	For the nine months ended September 30, 2023	2022/08/01~ 2022/09/30
Net sales	<u>\$ 148,782</u>	<u>628,821</u>	<u>151,075</u>
Net income	\$ 39,566	139,086	33,681
Other comprehensive income	-	-	-
Total comprehensive income	<u>\$ 39,566</u>	<u>139,086</u>	<u>33,681</u>
Net income attributable to non-controlling interests	<u>\$ 12,399</u>	<u>43,691</u>	<u>10,646</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 12,399</u>	<u>43,691</u>	<u>10,646</u>

(Continued)

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

	For the nine months ended	
	September 30, 2023	2022/08/01~ 2022/09/30
Cash flow from operating activities	\$ 166,288	(29,006)
Cash flow from investing activities	(32,271)	17,362
Cash flow from financing activities	(126,432)	(9,116)
Effects of foreign exchange rate changes	-	-
Net increase (decrease) in cash and cash equivalents	\$ 7,585	(20,760)
Cash dividends paid to non-controlling interests	\$ (37,677)	-

(i) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Other equipment	Equipment to be inspected and construction in progress	Total
Cost:						
Balance at January 1, 2023	\$ 598,567	341,544	191,052	92,716	5,263	1,229,142
Additions	-	473	10,574	2,486	17,285	30,818
Disposals	-	(3,770)	(22,485)	(11,072)	-	(37,327)
Reclassification and effect of exchange rate changes	-	(40)	22,380	333	(22,350)	323
Balance at September 30, 2023	\$ 598,567	338,207	201,521	84,463	198	1,222,956
Balance at January 1, 2022	\$ 556,498	320,112	192,230	85,446	1,048	1,155,334
Acquisition through business combination	42,069	19,040	1,039	455	-	62,603
Additions	-	-	7,342	4,760	5,702	17,804
Disposals	-	-	(12,665)	(215)	-	(12,880)
Reclassification and effect of exchange rate changes	-	(48)	3,642	1,175	(3,571)	1,198
Balance at September 30, 2022	\$ 598,567	339,104	191,588	91,621	3,179	1,224,059
Accumulated depreciation and impairment loss:						
Balance at January 1, 2023	\$ -	81,165	154,595	75,980	-	311,740
Depreciation	-	10,493	10,735	4,575	-	25,803
Disposals	-	(3,770)	(22,485)	(10,805)	-	(37,060)
Impairment loss	-	-	46	-	-	46
Reclassification and effect of exchange rate changes	-	(14)	25	316	-	327
Balance at September 30, 2023	\$ -	87,874	142,916	70,066	-	300,856
Balance at January 1, 2022	\$ -	66,296	158,506	69,176	-	293,978
Acquisition through business combination	-	1,317	310	174	-	1,801
Depreciation	-	10,102	9,986	5,084	-	25,172
Disposals	-	-	(12,665)	(204)	-	(12,869)
Impairment loss	-	-	251	-	-	251
Reclassification and effect of exchange rate changes	-	(14)	69	1,015	-	1,070
Balance at September 30, 2022	\$ -	77,701	156,457	75,245	-	309,403
Carrying amount:						
Balance at September 30, 2023	\$ 598,567	250,333	58,605	14,397	198	922,100
Balance at January 1, 2023	\$ 598,567	260,379	36,457	16,736	5,263	917,402
Balance at September 30, 2022	\$ 598,567	261,403	35,131	16,376	3,179	914,656

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
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For the nine months ended September 30, 2023 and 2022, the Group recognized an impairment loss on property, plant and equipment of \$46 and \$251, respectively, which were included in non-operating income and loss.

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

(j) Right-of-use assets

	<u>Buildings</u>	<u>Other equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2023	\$ 56,977	21,899	78,876
Additions	15,391	849	16,240
Disposals	(10,661)	(1,062)	(11,723)
Effect of exchange rates changes	955	-	955
Balance at September 30, 2023	<u>\$ 62,662</u>	<u>21,686</u>	<u>84,348</u>
Balance at January 1, 2022	\$ 55,336	18,745	74,081
Acquisition through business combination	-	1,783	1,783
Additions	28,821	1,371	30,192
Disposals	(27,356)	-	(27,356)
Effect of exchange rates changes	2,885	-	2,885
Balance at September 30, 2022	<u>\$ 59,686</u>	<u>21,899</u>	<u>81,585</u>
Accumulated depreciation:			
Balance at January 1, 2023	\$ 20,572	11,859	32,431
Depreciation	11,487	4,137	15,624
Disposals	(10,661)	(1,062)	(11,723)
Effect of exchange rates changes	29	18	47
Balance at September 30, 2023	<u>\$ 21,427</u>	<u>14,952</u>	<u>36,379</u>
Balance at January 1, 2022	\$ 35,443	6,183	41,626
Acquisition through business combination	-	446	446
Depreciation	10,244	3,836	14,080
Disposals	(27,356)	-	(27,356)
Effect of exchange rates changes	525	-	525
Balance at September 30, 2022	<u>\$ 18,856</u>	<u>10,465</u>	<u>29,321</u>
Carrying amount:			
Balance at September 30, 2023	<u>\$ 41,235</u>	<u>6,734</u>	<u>47,969</u>
Balance at January 1, 2023	<u>\$ 36,405</u>	<u>10,040</u>	<u>46,445</u>
Balance at September 30, 2022	<u>\$ 40,830</u>	<u>11,434</u>	<u>52,264</u>

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

(k) Intangible assets

	<u>Goodwill</u>	<u>Computer software</u>	<u>Royalties for the use of patents</u>	<u>Customer relationships</u>	<u>Expertise</u>	<u>Total</u>
Carrying amount:						
Balance at September 30, 2023	\$ <u>115,683</u>	<u>33,638</u>	<u>2,325</u>	<u>58,740</u>	<u>20,780</u>	<u>231,166</u>
Balance at January 1, 2023	\$ <u>115,683</u>	<u>36,789</u>	<u>2,450</u>	<u>65,789</u>	<u>24,845</u>	<u>245,556</u>
Balance at September 30, 2022	\$ <u>115,683</u>	<u>39,329</u>	<u>2,554</u>	<u>68,139</u>	<u>26,201</u>	<u>251,906</u>

According to IAS 36, goodwill arising from a business combination is tested at least annually. According to the result of the impairment test, there were no losses incurred by the Group as of December 31, 2022; please refer to note 6(j) of the consolidated financial statements for the year ended December 31, 2022 for more details. As of September 30, 2023, the Group assessed the achievement of the forecasted revenue and operating income of CGUs to which the goodwill are allocated for the nine months ended September 30, 2023, and concluded that there were no indications of goodwill impairment.

There were no significant additions, disposals, or recognition and reversal of impairment losses of intangible assets for the nine months ended September 30, 2023 and 2022. Information on amortization for the period is presented in note 12(a). Please refer to note 6(j) of the consolidated financial statements for the year ended December 31, 2022 for other related information.

(l) Short-term borrowings

The details of short-term borrowings were as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Unsecured bank loans	\$ 64,540	92,145	95,265
Secured bank loans	-	-	5,000
Total	\$ <u>64,540</u>	<u>92,145</u>	<u>100,265</u>
Unused credit facilities	\$ <u>1,726,590</u>	<u>1,889,440</u>	<u>1,923,080</u>
Interest rate interval	<u>6.28%</u>	<u>5.03%</u>	<u>1.60%~4.02%</u>

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

(m) Long-term debt

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Unsecured bank loans	\$ -	-	8,195
Secured bank loans	23,882	30,124	35,628
Less: current portion of long-term debt	(1,222)	(2,016)	(3,988)
Total	\$ <u>22,660</u>	<u>28,108</u>	<u>39,835</u>
Unused credit facilities	\$ <u>202</u>	<u>6,176</u>	<u>12,476</u>
Interest rate interval	<u>1.98%</u>	<u>1.85%</u>	<u>1.26%~1.80%</u>

(Continued)

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

(n) Lease liabilities

The carrying amount of lease liabilities were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Current	\$ <u>20,679</u>	<u>15,659</u>	<u>17,546</u>
Non-current	\$ <u>28,059</u>	<u>31,339</u>	<u>35,223</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 September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Interest on lease liabilities	\$ <u>304</u>	<u>246</u>	<u>952</u>	<u>643</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>137</u>	<u>298</u>	<u>512</u>	<u>1,017</u>
Expenses relating to short-term leases	\$ <u>99</u>	<u>94</u>	<u>565</u>	<u>356</u>

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

	For the nine months ended September 30,	
	2023	2022
Total cash outflows for leases	\$ <u>16,529</u>	<u>13,715</u>

(i) Real estate leases

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

(ii) Other leases

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

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

(o) Provisions

	September 30, 2023	December 31, 2022	September 30, 2022
Warranties	\$ 4,527	4,855	6,814
Sales returns and allowances	2,385	5,689	2,861
	<u>\$ 6,912</u>	<u>10,544</u>	<u>9,675</u>

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

(p) Employee benefits

(i) Defined benefit plans

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

(ii) The pension expenses recognized in profit or loss in respect of defined contribution plans and defined benefit plans for the three months and for the nine months ended September 30, 2023 and 2022, are presented in note 12(a).

(q) Income taxes

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

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Current income tax expense	<u>\$ 35,589</u>	<u>32,513</u>	<u>103,808</u>	<u>105,527</u>

(ii) For the nine months ended September 30, 2023 and 2022, there was no income tax expense recognized directly in equity or other comprehensive income.

(iii) The Company's income tax returns for the years through 2020 have been examined and approved by the R.O.C. income tax authorities.

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
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(r) Capital and other equity

(i) Common stock

As of September 30, 2023, December 31 and September 30, 2022, the Company's authorized shares of common stock consisted of 200,000 thousand shares, of which 122,688, 122,688 and 111,688 thousand shares, respectively, were issued. As of September 30, 2023, December 31 and September 30, 2022, as the shares of restricted stock to employees amounting to 0, 463 and 463 thousand shares, respectively, were not yet vested, the Company's outstanding shares of common stock were 122,688, 122,225 and 111,225 thousand shares, respectively. The par value of the Company's common stock is \$10 (dollars) per share. The Company has reserved 15,000 thousand shares for the exercise of employee stock options.

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

	Shares of Common Stock	
	For the nine months ended	
	September 30,	
	2023	2022
Balance at January 1	122,225	100,898
Issuance of new shares in exchange for other company's shares	-	9,864
Vested restricted stock issued to employees	463	463
Balance at September 30	<u><u>122,688</u></u>	<u><u>111,225</u></u>

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

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
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- c) Total proceeds received by the Company: \$363,000
- d) Investor of the private placement: Acer Inc.
- e) Rights and obligations: All the rights and obligations of shares of common stock through the private placement (the “Private Placement Shares”) shall be the same as those of shares of common stock issued and outstanding. However, except for selling to specific investors defined in Article 43-8 of the Securities and Exchange Act, the Private Placement Shares cannot be resold during a three-year period from delivery date. After three years from delivery date, according to the Securities and Exchange Act and related regulations, the Company shall obtain a letter issued by Taiwan Stock Exchange Corporation (“TWSE”) acknowledging that the Private Placement Shares have met the standards for TWSE listing before it may file with FSC for retroactive handling of public issuance procedures. Thereafter, the Company can apply for listing in TWSE of Private Placement Shares.
- f) Others: The Company recognized capital surplus of \$253,000, resulting from the issuance price of Private Placement Shares in excess of common stock’s par value.

(ii) Capital surplus

	September 30, 2023	December 31, 2022	September 30, 2022
Paid-in capital in excess of par value	\$ 866,883	866,883	613,883
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>15,760</u>	<u>14,258</u>	<u>14,258</u>
	<u>\$ 925,824</u>	<u>924,322</u>	<u>671,322</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.

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
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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.

3) Earnings distribution

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

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

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

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

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
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(iv) Other equity items (net after tax)

1) Foreign currency translation differences

	For the nine months ended September 30,	
	2023	2022
Balance at January 1	\$ (39,687)	(74,366)
Foreign exchange differences arising from translation of foreign operations	18,009	46,660
Balance at September 30	\$ (21,678)	(27,706)

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

	For the nine months ended September 30,	
	2023	2022
Balance at January 1	\$ (47,702)	(51,415)
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(771)	5,924
Balance at September 30	\$ (48,473)	(45,491)

3) Unearned compensation cost

	For the nine months ended September 30,	
	2023	2022
Balance at January 1	\$ -	(8,941)
Compensation cost arising from restricted stock issued to employees	-	6,706
Balance at September 30	\$ -	(2,235)

(v) Non-controlling interests

	For the nine months ended September 30,	
	2023	2022
Balance at January 1	\$ 139,721	136
Equity attributable to non-controlling interest:		
Net income	43,678	10,640
Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	2	3
Distribution of cash dividend by subsidiaries to non-controlling interests	(37,677)	-
Changes in non-controlling interests	-	121,720
Balance at September 30	\$ 145,724	132,499

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
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(s) Share-based payment – Restricted stock to employees

As of September 30, 2022, the Group had the following share-based payment arrangements:

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

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

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

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

	<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Balance at January 1	463	926
Vested	<u>(463)</u>	<u>(463)</u>
Balance at September 30	<u>-</u>	<u>463</u>

The fair value of the restricted stock to employees was \$38.6 (in dollars) per share, which was determined by reference to the closing price of the Company's common stock traded on the Taiwan Stock Exchange at the grant date. For the nine months ended September 30, 2023 and 2022, the compensation cost for the restricted shares of stock amounted to \$0 and \$6,706, respectively.

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
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(ii) Employee compensation cost

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Compensation cost from restricted stock issued to employees	\$ -	2,235	-	6,706

(t) Earnings per share (“EPS”)

(i) Basic earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Net income attributable to shareholders of the Company	\$ 139,834	125,304	386,324	430,604
Weighted-average number of ordinary shares outstanding (in thousands)	122,688	107,901	122,680	103,557
Basic earnings per share (in dollars)	\$ 1.14	1.16	3.15	4.16

(ii) Diluted earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Net income attributable to shareholders of the Company	\$ 139,834	125,304	386,324	430,604
Weighted-average number of ordinary shares outstanding (in thousands)	122,688	107,901	122,680	103,557
Effect of dilutive potential common stock (in thousands):				
Remuneration to employees	931	1,671	1,272	1,909
Restricted stock to employees	-	438	-	438
Weighted-average number of ordinary shares outstanding (including effect of dilutive potential common stock)	123,619	110,010	123,952	105,904
Diluted earnings per share (in dollars)	\$ 1.13	1.14	3.12	4.07

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(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 September 30, 2023			
Segment			
	Asia	America and Europe	Total
Major products:			
Flash memory cards	\$ 1,040,982	160,571	1,201,553
Memory modules	634,933	87,369	722,302
Others	1,646	-	1,646
	<u>\$ 1,677,561</u>	<u>247,940</u>	<u>1,925,501</u>

For the three months ended September 30, 2022			
Segment			
	Asia	America and Europe	Total
Major products:			
Flash memory cards	\$ 1,104,298	214,142	1,318,440
Memory modules	810,254	102,298	912,552
Others	14,234	-	14,234
	<u>\$ 1,928,786</u>	<u>316,440</u>	<u>2,245,226</u>

For the nine months ended September 30, 2023			
Segment			
	Asia	America and Europe	Total
Major products:			
Flash memory cards	\$ 2,863,507	520,371	3,383,878
Memory modules	1,821,383	218,185	2,039,568
Others	59,796	-	59,796
	<u>\$ 4,744,686</u>	<u>738,556</u>	<u>5,483,242</u>

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
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	For the nine months ended September 30, 2022		
	Segment		
	Asia	America and Europe	Total
Major products:			
Flash memory cards	\$ 3,169,189	707,582	3,876,771
Memory modules	2,326,362	378,435	2,704,797
Others	79,978	-	79,978
	\$ 5,575,529	1,086,017	6,661,546
(ii) Contract balances			
	September 30, 2023	December 31, 2022	September 30, 2022
Notes and accounts receivable (including related parties)	\$ 955,722	758,097	1,038,118
Less: loss allowance	(22,530)	(21,821)	(23,753)
	\$ 933,192	736,276	1,014,365
	September 30, 2023	December 31, 2022	September 30, 2022
Contract liabilities—current	\$ 108,499	177,632	121,969

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

The amounts of revenue recognized for the nine months ended September 30, 2023 and 2022 that were included in the contract liabilities balances at January 1, 2023 and 2022 were \$174,446 and \$37,425, 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.

The Company estimated its remuneration to employees amounting to \$18,420 and \$20,339 for the three months ended September 30, 2023 and 2022, respectively, and \$50,970 and \$65,016 for the nine months ended September 30, 2023 and 2022, respectively, and the remuneration to directors amounting to \$2,553 and \$2,389 for the three months ended September 30, 2023 and 2022, respectively, and \$7,067 and \$8,294 for the nine months ended September 30, 2023 and 2022, 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.

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Notes to the Consolidated Financial Statements

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

(w) Non-operating income and loss

(i) Interest income

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	\$ <u>10,017</u>	<u>3,108</u>	<u>31,826</u>	<u>4,095</u>

(ii) Other gains and losses, net

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Gains (losses) on disposal of property, plant and equipment	\$ 1,000	-	733	(11)
Foreign currency exchange gains	4,654	30,457	2,444	48,259
Losses on financial assets and liabilities at fair value through profit or loss	(5,665)	(16,670)	(4,825)	(39,101)
Impairment loss on non-financial assets	-	-	(46)	(251)
Others	<u>1,071</u>	<u>5,578</u>	<u>2,780</u>	<u>9,875</u>
	<u>\$ 1,060</u>	<u>19,365</u>	<u>1,086</u>	<u>18,771</u>

(iii) Finance costs

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Interest expense from bank loans	\$ (3,002)	(1,568)	(9,723)	(3,910)
Interest expense from lease liabilities	<u>(304)</u>	<u>(246)</u>	<u>(952)</u>	<u>(643)</u>
	<u>\$ (3,306)</u>	<u>(1,814)</u>	<u>(10,675)</u>	<u>(4,553)</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, 2022.

(i) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or other financial assets. The Group manages liquidity risk by monitoring regularly the current and mid- to long-term cash demand, maintaining adequate cash and banking facilities, and ensuring compliance with the terms of the loan agreements. As of September 30, 2023, December 31 and September 30, 2022, the Group had unused credit facilities of \$1,726,792, \$1,895,616 and \$1,935,556, 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>
September 30, 2023				
Non-derivative financial liabilities:				
Short-term borrowings	\$ 64,540	(64,866)	(64,866)	-
Long-term debt (including current portion)	23,882	(28,107)	(1,690)	(26,417)
Notes and accounts payable (including related parties)	1,103,774	(1,103,774)	(1,103,774)	-
Other payables	367,268	(367,268)	(367,268)	-
Lease liabilities	48,738	(50,287)	(21,579)	(28,708)
Derivative financial instruments:				
Foreign currency forward contracts:				
Inflow	-	97,845	97,845	-
Outflow	864	(98,709)	(98,709)	-
December 31, 2022				
Non-derivative financial liabilities:				
Short-term borrowings	\$ 92,145	(92,531)	(92,531)	-
Long-term debt (including current portion)	30,124	(34,312)	(2,554)	(31,758)
Notes and accounts payable (including related parties)	718,672	(718,672)	(718,672)	-
Other payables	452,284	(452,284)	(452,284)	-
Lease liabilities	46,998	(48,705)	(16,492)	(32,213)
Guarantee deposits	6,558	(6,558)	-	(6,558)
Derivative financial instruments:				
Foreign currency forward contracts:				
Inflow	-	102,995	102,995	-
Outflow	892	(103,887)	(103,887)	-
Foreign exchange swaps:				
Inflow	-	92,025	92,025	-
Outflow	120	(92,145)	(92,145)	-

(Continued)

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>More than 1 year</u>
September 30, 2022				
Non-derivative financial liabilities:				
Short-term borrowings	\$ 100,265	(100,649)	(100,649)	-
Notes and accounts payable (including related parties)	804,762	(804,762)	(804,762)	-
Other payables	385,025	(385,025)	(385,025)	-
Long-term debt (including current portion)	43,823	(49,697)	(4,678)	(45,019)
Lease liabilities	52,769	(54,788)	(18,488)	(36,300)
Guarantee deposits	6,781	(6,781)	-	(6,781)
Derivative financial instruments:				
Foreign currency forward contracts:				
Inflow	-	45,775	45,775	-
Outflow	521	(46,296)	(46,296)	-
Foreign exchange swaps:				
Inflow	-	93,192	93,192	-
Outflow	2,073	(95,265)	(95,265)	-

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—current, and loans and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. At the reporting date, the carrying amounts of the Group's significant monetary assets and liabilities denominated in a currency other than the functional currencies of the Group entities and their respective sensitivity analysis were as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

(Amounts in thousands of New Taiwan Dollars)

September 30, 2023					
	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>TWD (in thousands)</u>	<u>Change in magnitude</u>	<u>Pre-tax effect on profit or loss (in thousands)</u>
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 31,503	32.270	1,016,602	1 %	10,166
CNY	21,860	4.419	96,599	1 %	966
JPY	24,026	0.216	5,190	1 %	52
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	27,314	32.270	881,423	1 %	8,814
CNY	4,901	4.419	21,658	1 %	217
JPY	876	0.216	189	1 %	2

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

December 31, 2022					
	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	Change in magnitude	Pre-tax effect on profit or loss (in thousands)
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 29,166	30.715	895,834	1 %	8,958
CNY	14,108	4.422	62,386	1 %	624
JPY	22,066	0.233	5,141	1 %	51
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	21,701	30.715	666,546	1 %	6,665
CNY	122	4.422	539	1 %	5
JPY	514	0.233	120	1 %	1
September 30, 2022					
	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	Change in magnitude	Pre-tax effect on profit or loss (in thousands)
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 36,607	31.755	1,162,455	1 %	11,625
CNY	12,848	4.481	57,572	1 %	576
JPY	16,139	0.220	3,551	1 %	36
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	24,682	31.755	783,777	1 %	7,838
CNY	232	4.481	1,040	1 %	10
JPY	438	0.220	96	1 %	1

As the Group deals in diverse foreign currencies, gains and losses on foreign exchange were summarized as a single amount. The aggregate of realized and unrealized foreign exchange gain (loss) for the three months ended September 30, 2023 and 2022 were \$4,654 and \$30,457, respectively, and for the nine months ended September 30, 2023 and 2022 were \$2,444 and \$48,529, respectively.

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

(iii) Categories of financial instruments

1) Financial assets

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Financial assets at fair value through profit or loss	\$ 31	980	13,073
Financial assets at fair value through other comprehensive income	32,750	29,769	31,983
Financial assets measured at amortized cost:			
Cash and cash equivalents	920,885	1,419,376	1,029,262
Notes and accounts receivable (including related parties)	933,192	736,276	1,014,365
Other receivables	3,163	-	2,175
Other financial assets (including current and non-current)	1,720,108	1,386,465	677,307
Subtotal	<u>3,577,348</u>	<u>3,542,117</u>	<u>2,723,109</u>
Total	<u>\$ 3,610,129</u>	<u>3,572,866</u>	<u>2,768,165</u>

2) Financial liabilities

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Financial liabilities at fair value through profit or loss	\$ 864	1,012	2,594
Financial liabilities measured at amortized cost:			
Short-term borrowings	64,540	92,145	100,265
Notes and accounts payable (including related parties)	1,103,774	718,672	804,762
Other payables	367,268	452,284	385,025
Lease liabilities (including current and non-current)	48,738	46,998	52,769
Long-term debt (including current portion)	23,882	30,124	43,823
Guarantee deposits	-	6,558	6,781
Subtotal	<u>1,608,202</u>	<u>1,346,781</u>	<u>1,393,425</u>
Total	<u>\$ 1,609,066</u>	<u>1,347,793</u>	<u>1,396,019</u>

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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).

	September 30, 2023				
	Carrying amount	Fair Value			Total
	Level 1	Level 2	Level 3		
Financial assets at fair value through profit or loss – current:					
Derivatives – foreign currency forward contracts	\$ 31	-	31	-	31
	<u>\$ 31</u>	<u>-</u>	<u>31</u>	<u>-</u>	<u>31</u>
Financial assets at fair value through other comprehensive income – non-current:					
Domestic unlisted stocks	\$ 32,612	-	-	32,612	32,612
Foreign unlisted stocks	138	-	-	138	138
	<u>\$ 32,750</u>	<u>-</u>	<u>-</u>	<u>32,750</u>	<u>32,750</u>
Financial liabilities at fair value through profit or loss – current:					
Derivatives – foreign currency forward contracts	\$ 864	-	864	-	864
	<u>\$ 864</u>	<u>-</u>	<u>864</u>	<u>-</u>	<u>864</u>

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

	December 31, 2022				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss— current:					
Derivatives— foreign exchange swaps	\$ 980	-	980	-	980
	<u>\$ 980</u>	<u>-</u>	<u>980</u>	<u>-</u>	<u>980</u>
Financial assets at fair value through other comprehensive income— non-current:					
Domestic unlisted stocks	\$ 29,616	-	-	29,616	29,616
Foreign unlisted stocks	153	-	-	153	153
	<u>\$ 29,769</u>	<u>-</u>	<u>-</u>	<u>29,769</u>	<u>29,769</u>
Financial liabilities at fair value through profit or loss— current:					
Derivatives— foreign currency forward contracts	\$ 892	-	892	-	892
Derivatives— foreign exchange swaps	120	-	120	-	120
	<u>\$ 1,012</u>	<u>-</u>	<u>1,012</u>	<u>-</u>	<u>1,012</u>
	September 30, 2022				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss— current:					
Open-end mutual fund	\$ 10,957	10,957	-	-	10,957
Derivatives— foreign currency forward contracts	76	-	76	-	76
Derivatives— foreign exchange swaps	2,040	-	2,040	-	2,040
	<u>\$ 13,073</u>	<u>10,957</u>	<u>2,116</u>	<u>-</u>	<u>13,073</u>
Financial assets at fair value through other comprehensive income— non-current:					
Domestic unlisted stocks	\$ 31,804	-	-	31,804	31,804
Foreign unlisted stocks	179	-	-	179	179
	<u>\$ 31,983</u>	<u>-</u>	<u>-</u>	<u>31,983</u>	<u>31,983</u>
Financial liabilities at fair value through profit or loss— current:					
Derivatives— foreign currency forward contracts	\$ 521	-	521	-	521
Derivatives— foreign exchange swaps	2,073	-	2,073	-	2,073
	<u>\$ 2,594</u>	<u>-</u>	<u>2,594</u>	<u>-</u>	<u>2,594</u>

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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 nine months ended September 30, 2023 and 2022.

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Balance, beginning of period	\$ 31,452	27,541	29,769	26,056
Purchased	3,750	-	3,750	-
Gains (losses) recognized in other comprehensive income, and presented in unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(2,452)	4,442	(769)	5,927
Balance, end of period	<u>\$ 32,750</u>	<u>31,983</u>	<u>32,750</u>	<u>31,983</u>

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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, 2022.

(z) Capital management

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

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

(i) For acquisition of right-of-use assets under operating lease for the nine months ended September 30, 2023 and 2022, please refer to note 6(j).

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

	January 1, 2023	Cash flows	Non-cash changes Acquisition	September 30, 2023
Short-term borrowings	\$ 92,145	(27,605)	-	64,540
Long-term debt	30,124	(6,242)	-	23,882
Lease liabilities	46,998	(14,500)	16,240	48,738
Guarantee deposits	6,558	(6,558)	-	-
	\$ 175,825	(54,905)	16,240	137,160

	January 1, 2022	Cash flows	Non-cash changes Acquisition	Fair value changes	September 30, 2022
Short-term borrowings	\$ 251,979	(156,714)	-	5,000	100,265
Long-term debt	-	(9,017)	-	52,840	43,823
Lease liabilities	32,934	(11,699)	30,192	1,342	52,769
Guarantee deposits	13,845	(7,064)	-	-	6,781
	\$ 298,758	(184,494)	30,192	59,182	203,638

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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”)	The Company’s director
JoiUp Technology Inc. (“JoiUp”)	The Group’s associate
OTO Photonics Inc. (“OTO”)	The Group’s other related party
Directors, general manager and vice general managers	The Group’s key management personnel

(b) Significant related-party transactions

(i) Revenue

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
The Group’s key management personnel (the Company’s director)\$	<u>925</u>	<u>1,862</u>	<u>2,115</u>	<u>7,880</u>

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

(ii) Purchases

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
The Group’s key management personnel – Phison (the Company’s director)	\$ 380,463	274,501	853,964	893,199
Other related parties	<u>107</u>	<u>108</u>	<u>426</u>	<u>303</u>
	<u>\$ 380,570</u>	<u>274,609</u>	<u>854,390</u>	<u>893,502</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

<u>Account</u>	<u>Related-party categories</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Accounts receivable from related parties	The Group's key management personnel (the Company's director)	\$ <u>942</u>	<u>377</u>	<u>1,042</u>

(iv) Payables

<u>Account</u>	<u>Related-party categories</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Accounts payable to related parties	The Group's key management personnel – Phison (the Company's director)	\$ 335,326	214,210	232,226
Accounts payable to related parties	Other related parties	112	135	113
Other payables to related parties	The Group's key management personnel (the Company's director)	<u>253</u>	<u>146</u>	<u>125</u>
		<u>\$ 335,691</u>	<u>214,491</u>	<u>232,464</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 September 30,</u>		<u>For the nine months ended September 30,</u>	
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Operating expenses	The Group's key management personnel (the Company's director)	\$ 30	136	305	272
	Associates	13	13	38	38
	Other related parties	<u>-</u>	<u>3</u>	<u>-</u>	<u>3</u>
		<u>\$ 43</u>	<u>152</u>	<u>343</u>	<u>313</u>

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

(c) Compensation for key management personnel

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Short-term employee benefits	\$ 20,801	19,063	53,675	71,230
Post-employment benefits	108	108	324	324
Share-based payments	-	969	-	2,906
	<u>\$ 20,909</u>	<u>20,140</u>	<u>53,999</u>	<u>74,460</u>

8. Pledged assets:

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

Pledged assets	Pledged to secure	September 30, 2023	December 31, 2022	September 30, 2022
Other financial assets — current	Performance guarantee	\$ -	-	12,000
Property, plant and equipment	Bank loans and credit facilities	58,704	59,404	59,636
		<u>\$ 58,704</u>	<u>59,404</u>	<u>71,636</u>

9. Significant commitments and contingencies:

(a) Significant unrecognized commitments

	September 30, 2023	December 31, 2022	September 30, 2022
Unused letters of credit	<u>\$ 15,000</u>	<u>-</u>	<u>-</u>

- (b) As of September 30, 2023, December 31 and September 30, 2022, the Group had outstanding letters of guarantee amounting to \$12,000 for the purpose of the payment of customs duties.

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

10. Significant loss from disaster: None

11. Significant subsequent events: None

12. Others:

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

	For the three months ended September 30, 2023			For the three months ended September 30, 2022		
	Cost of revenue	Operating expenses	Total	Cost of revenue	Operating expenses	Total
Employee benefits:						
Salaries	42,193	159,683	201,876	35,523	137,074	172,597
Insurance	4,238	12,788	17,026	3,301	9,516	12,817
Pension	1,541	5,857	7,398	1,379	5,419	6,798
Others	3,505	10,043	13,548	3,421	9,922	13,343
Depreciation	5,151	8,936	14,087	4,797	8,766	13,563
Amortization	798	5,594	6,392	801	4,251	5,052

	For the nine months ended September 30, 2023			For the nine months ended September 30, 2022		
	Cost of revenue	Operating expenses	Total	Cost of revenue	Operating expenses	Total
Employee benefits:						
Salaries	119,622	462,118	581,740	116,753	442,750	559,503
Insurance	12,214	36,351	48,565	10,046	29,437	39,483
Pension	4,514	17,876	22,390	4,225	15,576	19,801
Others	8,503	25,909	34,412	7,655	26,736	34,391
Depreciation	15,087	26,340	41,427	14,201	25,051	39,252
Amortization	2,396	16,412	18,808	2,305	7,406	9,711

(b) Seasonality operations

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

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

13. Additional disclosures:

- (a) Information on significant transactions:

In accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Group discloses the following information on significant transactions for the nine months ended September 30, 2023:

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

(In Thousands of Shares)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	September 30, 2023				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Fair value	
The Company	Stock: Formosa Golf and Country Club Corp.	-	Financial assets at fair value through other comprehensive income – non-current	3.6	8,908	0.01 %	8,908	-
The Company	Stock: OTO Photonics Inc.	-	Financial assets at fair value through other comprehensive income – non-current	3,772	19,954	11.30 %	19,954	-
The Company	Stock: Koson Technology Inc.	-	Financial assets at fair value through other comprehensive income – non-current	150	3,750	14.85 %	3,750	-
AMS	Stock: Futurepath Technology (Shenzhen) Co., Ltd.	-	Financial assets at fair value through other comprehensive income – non-current	31.5	138	0.03 %	138	-

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

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APACER TECHNOLOGY INC. AND SUBSIDIARIES
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- (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	AMA	The Company's subsidiary	(Sales)	(225,504)	(5)%	OA30	-	-	17,966	2 %	Note
The Company	AMH	The Company's subsidiary	(Sales)	(366,594)	(8)%	OA30	-	-	35,596	4 %	Note
The Company	AMC	The Company's subsidiary	(Sales)	(304,613)	(6)%	M60	-	-	61,677	7 %	Note
The Company	AMK	The Company's subsidiary	(Sales)	(101,748)	(2)%	OA30	-	-	14,597	2 %	Note
The Company	Phison	The Company's director	Purchases	629,943	16 %	M45	-	-	(258,864)	(25)%	-
UD	Phison	The Company's director	Purchases	224,021	81 %	M45	-	-	(76,462)	(92)%	-
AMA	The Company	AMA's parent company	Purchases	225,504	100 %	OA30	-	-	(17,966)	(100)%	Note
AMH	The Company	AMH's parent company	Purchases	366,594	100 %	OA30	-	-	(35,596)	(99)%	Note
AMC	The Company	AMC's parent company	Purchases	304,613	98 %	M60	-	-	(61,677)	(98)%	Note
AMK	The Company	AMK's parent company	Purchases	101,748	100 %	OA30	-	-	(14,597)	(100)%	Note

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

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

Number (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Transaction Details			Percentage of Consolidated Operating Revenue or Total Assets
				Account	Amount	Payment Terms	
0	The Company	AMA	1	Sales	225,504	OA30	4 %
0	The Company	AMK	1	Sales	101,748	OA30	2 %
0	The Company	AMH	1	Sales	366,594	OA30	7 %
0	The Company	AMC	1	Sales	304,613	M60	6 %
0	The Company	AMJ	1	Sales	29,786	M60	1 %
0	The Company	UD	1	Sales	29,049	M30	1 %
0	UD	The Company	2	Sales	1,712	M30	-
0	The Company	AMA	1	Accounts receivable	17,966	OA30	-
0	The Company	AMK	1	Accounts receivable	14,597	OA30	-
0	The Company	AMH	1	Accounts receivable	35,596	OA30	1 %
0	The Company	AMC	1	Accounts receivable	61,677	M60	1 %
0	The Company	AMJ	1	Accounts receivable	3,544	M60	-
0	The Company	UD	1	Accounts receivable	1,388	M30	-

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

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

Note 2: The relationships with counterparties are as follows:

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

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

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

(b) Information on investees:

For the nine months ended September 30, 2023, the information on investees is as follows (excluding investments in Mainland China):

(In Thousands of Shares)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2023			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				September 30, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Value			
The Company	AMA	USA	Sales of memory modules and storage memory devices	610	610	20	100.00 %	326,430	14,589	14,589	Note
The Company	ACYB	British Virgin Islands	Investment and holding activity	18,542	18,542	2,636	100.00 %	63,969	12,594	12,594	Note
The Company	AMJ	Japan	Sales of memory modules and storage memory devices	2,918	2,918	0.2	100.00 %	20,161	698	698	Note
The Company	ATPL	India	Auxiliary sales of memory modules and storage memory devices	915	915	29	100.00 %	1,608	108	108	Note
The Company	AMK	Hong Kong	Sales of memory modules and storage memory devices	20,917	20,917	5,000	100.00 %	12,803	524	524	Note
The Company	AMH	Netherlands	Sales of memory modules and storage memory devices	130,469	130,469	80	100.00 %	79,158	8,126	8,126	Note
The Company	JoiUp	Taiwan	Cloud services and software development	7,500	7,500	750	10.35 %	1,619	(2,980)	(327)	-
The Company	UD	Taiwan	Manufacture and sales of memory modules and storage memory devices	380,815	380,815	4,932	68.54 %	431,396	148,184	95,183	Note

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

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

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

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2023	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss) (Note 2)	Carrying Value as of September 30, 2023	Accumulated Inward Remittance of Earnings as of September 30, 2023
					Outflow	Inflow						
Apacer Electronic (Shanghai) Co., Ltd (AMC)	Sales of memory modules and storage memory devices	16,135 (USD 500 thousand)	Type 2	16,135 (USD 500 thousand)	-	-	16,135 (USD 500 thousand)	12,500	100.00 %	12,500	54,678	-
Shenzhen Kylinports Technology Co. (AMS)	Sales of gaming products	24,138 (USD 748 thousand)	Type 2	19,297 (USD 598 thousand)	-	-	19,297 (USD 598 thousand) (Note 3)	(1,145)	99.00 %	(1,134)	11,685	-

Note 1: Method of investments:

Type 1: Direct investment in Mainland China.

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

Type 3: Others.

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

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

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

Note 5: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$32.27.

(ii) Limits on investments in Mainland China:

Accumulated Investment in Mainland China as of September 30, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
35,432 (USD 1,098 thousand)	39,757 (USD 1,232 thousand)	2,498,629

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

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

(d) Major shareholders:

Major Shareholder's Name	Shareholding	Shares	Percentage
Phison Electronics Corporation		12,554,580	10.23 %
Acer Inc.		11,710,000	9.54 %

(Continued)

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14. Segment information:

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

	For the three months ended September 30, 2023			
	Asia	America and Europe	Adjustments and eliminations	Total
External revenue	\$ 1,677,561	247,940	-	1,925,501
Intra-group revenue	357,547	-	(357,547)	-
Total segment revenue	<u>\$ 2,035,108</u>	<u>247,940</u>	<u>(357,547)</u>	<u>1,925,501</u>
Segment profit (loss)	<u>\$ 225,716</u>	<u>13,462</u>	<u>(51,359)</u>	<u>187,819</u>

	For the three months ended September 30, 2022			
	Asia	America and Europe	Adjustments and eliminations	Total
External revenue	\$ 1,928,786	316,440	-	2,245,226
Intra-group revenue	427,031	-	(427,031)	-
Total segment revenue	<u>\$ 2,355,817</u>	<u>316,440</u>	<u>(427,031)</u>	<u>2,245,226</u>
Segment profit (loss)	<u>\$ 199,458</u>	<u>4,168</u>	<u>(35,165)</u>	<u>168,461</u>

	For the nine months ended September 30, 2023			
	Asia	America and Europe	Adjustments and eliminations	Total
External revenue	\$ 4,744,686	738,556	-	5,483,242
Intra-group revenue	1,063,448	-	(1,063,448)	-
Total segment revenue	<u>\$ 5,808,134</u>	<u>738,556</u>	<u>(1,063,448)</u>	<u>5,483,242</u>
Segment profit (loss)	<u>\$ 645,920</u>	<u>31,299</u>	<u>(143,409)</u>	<u>533,810</u>

	For the nine months ended September 30, 2022			
	Asia	America and Europe	Adjustments and eliminations	Total
External revenue	\$ 5,575,529	1,086,017	-	6,661,546
Intra-group revenue	1,417,766	3	(1,417,769)	-
Total segment revenue	<u>\$ 6,993,295</u>	<u>1,086,020</u>	<u>(1,417,769)</u>	<u>6,661,546</u>
Segment profit (loss)	<u>\$ 569,768</u>	<u>29,313</u>	<u>(52,310)</u>	<u>546,771</u>