

**Princeton Technology Corp.  
and Subsidiaries  
Consolidated Financial Statements for the  
Nine Months Ended September 30, 2021 and 2020  
Together with Independent Auditors' Review Report**

# **English Translation of Financial Statements Originally Issued in Chinese**

## Independent Auditors' Review Report

The Board of Directors and Stockholders  
Princeton Technology Corp.

### **Introduction**

We have reviewed the accompanying consolidated financial statements of Princeton Technology Corp. and subsidiaries (the Company) as of September 30, 2021 and 2020, and the consolidated statements of comprehensive income for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, the consolidated changes in equity and cash flows for the nine month ended September 30, 2021 and 2020 and the 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 Standards 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**

We conducted our reviews in accordance with Statement of Auditing Standards No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters the might be identified in an audit. Accordingly, we do not express such an audit opinion.

### **Conclusion**

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the financial position of the Company as at September 30, 2021 and 2020, its consolidated financial performance for the three months ended September 30, 2021 and 2020, and its financial performance and its consolidated cash flows for the nine months ended September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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Crowe (TW) CPAs

November 8, 2021

### **Notice to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with 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 applied in the Republic of China.

For the convenience of readers, the auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' review report and consolidated financial statements shall prevail.

**English Translation of Consolidated Financial Statements Originally Issued in Chinese**

Princeton Technology Corp. and Subsidiaries  
Consolidated Balance Sheets  
September 30, 2021, December 31, 2020 and September 30, 2020  
(Expressed in Thousand New Taiwan Dollars)

Assets	Note	September 30, 2021(Reviewed)		December 31, 2020(Audited)		September 30, 2020(Reviewed)	
		Amount	%	Amount	%	Amount	%
<b>Current assets</b>							
Cash and cash equivalents	Note 6	\$ 507,904	22	\$ 433,543	20	\$ 522,553	25
Financial assets at fair value through profit or loss	Note 7	300,469	13	263,478	12	256,496	12
Financial assets at amortized cost	Note 9	100,518	5	175,000	8	42,704	2
Notes receivable, net	Note 10	8,308	-	10,158	-	8,583	-
Accounts receivable, net	Note 10	351,398	15	254,651	12	214,859	10
Accounts receivable, net-related parties	Notes 10&29	51	-	-	-	-	-
Other receivables	Notes 10&29	5,874	-	2,991	-	3,292	-
Current tax assets	Note 27	2,808	-	-	-	476	-
Inventories, net	Note 11	271,248	12	221,331	10	258,558	12
Prepayments		27,727	1	24,819	2	28,421	1
Other financial assets	Notes 6&30	2,032	-	2,046	-	2,024	-
Total current assets		<u>1,578,337</u>	<u>68</u>	<u>1,388,017</u>	<u>64</u>	<u>1,337,966</u>	<u>62</u>
<b>Non-current assets</b>							
Financial assets at fair value through other comprehensive income	Note 8	7,048	-	23,367	2	21,547	1
Investments accounted for under the equity method	Note 12	7,476	-	16,607	1	20,539	1
Property, plant and equipment	Notes 13&30	428,506	19	444,007	20	453,807	21
Right-of-use assets	Note 14	10,673	-	13,388	-	14,218	1
Investment property	Note 15	251,470	11	260,878	12	268,042	13
Intangible assets	Note 16	4,117	-	4,277	-	4,206	-
Deferred tax assets	Note 27	15,604	1	15,303	1	13,676	1
Other noncurrent assets	Note 17	23,563	1	4,229	-	4,230	-
Total non-current assets		<u>748,457</u>	<u>32</u>	<u>782,056</u>	<u>36</u>	<u>800,265</u>	<u>38</u>
Total assets		<u>\$ 2,326,794</u>	<u>100</u>	<u>\$ 2,170,073</u>	<u>100</u>	<u>\$ 2,138,231</u>	<u>100</u>
<b>Liabilities and stockholders' equity</b>							
		September 30, 2021(Reviewed)		December 31, 2020(Audited)		September 30 2020(Reviewed)	
		Amount	%	Amount	%	Amount	%
<b>Current liabilities</b>							
Contract liability	Note 22	\$ 5,862	-	\$ 1,140	-	\$ 3,518	-
Accounts payable		155,180	7	109,443	5	96,715	5
Other payables	Note 18	75,233	3	69,149	3	60,686	3
Current tax liabilities	Note 27	-	-	1,682	-	-	-
Lease liabilities	Note 14	2,170	-	2,857	-	2,842	-
Long-term liabilities - current portion	Notes 19&30	41,700	2	127,935	6	87,150	4
Other current liabilities		700	-	352	-	311	-
Total current liabilities		<u>280,845</u>	<u>12</u>	<u>312,558</u>	<u>14</u>	<u>251,222</u>	<u>12</u>
<b>Non-current liabilities</b>							
Long-term loans payable	Notes 19&30	83,400	4	-	-	43,575	2
Lease liabilities	Note 14	-	-	1,450	-	2,170	-
Net defined benefit liability	Note 20	28,016	1	29,154	2	30,271	1
Refundable deposits		2,893	-	2,154	-	2,402	-
Total non-current liabilities		<u>114,309</u>	<u>5</u>	<u>32,758</u>	<u>2</u>	<u>78,418</u>	<u>3</u>
Total liabilities		<u>395,154</u>	<u>17</u>	<u>345,316</u>	<u>16</u>	<u>329,640</u>	<u>15</u>
<b>Equity attributable to the parent company</b>							
Capital	Note 21	1,809,437	78	1,809,437	84	1,809,437	85
Additional paid-in capital	Note 21	12,234	-	12,234	-	12,234	1
Retained earnings	Note 21						
Legal reserve		306,123	13	306,123	14	306,123	14
Accumulated losses		(250,946)	(11)	(326,636)	(15)	(339,312)	(16)
Total retained earnings		<u>55,177</u>	<u>2</u>	<u>(20,513)</u>	<u>(1)</u>	<u>(33,189)</u>	<u>(2)</u>
Other components of equity	Note 21	(89,693)	(4)	(86,628)	(4)	(83,203)	(4)
Total equity attributable to the parent		<u>1,787,155</u>	<u>76</u>	<u>1,714,530</u>	<u>79</u>	<u>1,705,279</u>	<u>80</u>
Non-controlling interests	Note 21	144,485	7	110,227	5	103,312	5
Total equity		<u>1,931,640</u>	<u>83</u>	<u>1,824,757</u>	<u>84</u>	<u>1,808,591</u>	<u>85</u>
Total liabilities and equity		<u>\$ 2,326,794</u>	<u>100</u>	<u>\$ 2,170,073</u>	<u>100</u>	<u>\$ 2,138,231</u>	<u>100</u>

The accompanying notes are integral part of consolidated financial statements.

**English Translation of Consolidated Financial Statements Originally Issued in Chinese**

Princeton Technology Corp. and Subsidiaries  
Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30, 2021 & 2020

(Expressed in Thousand New Taiwan Dollars, Except for Earnings Per Share Amounts)

(Reviewed, Not Audited)

	Note	2021.07.01~2021.09.30		2020.07.01~2020.09.30		2021.01.01~2021.09.30		2020.01.01~2020.09.30	
		Amount	%	Amount	%	Amount	%	Amount	%
Net sales	Notes 22&29	\$ 436,157	100	\$ 283,568	100	\$ 1,184,850	100	\$ 749,417	100
Cost of goods sold	Notes 11.20&23	(262,085)	(60)	(182,291)	(65)	(719,070)	(60)	(485,025)	(65)
Gross profit		174,072	40	101,277	35	465,780	40	264,392	35
Operating expenses	Notes 20.23&29								
Marketing		(17,343)	(4)	(10,616)	(4)	(43,025)	(3)	(30,094)	(4)
General and administrative		(37,997)	(9)	(34,762)	(12)	(114,426)	(10)	(100,657)	(13)
Research and development		(75,673)	(17)	(65,938)	(23)	(221,681)	(19)	(193,623)	(26)
Total operating expenses		(131,013)	(30)	(111,316)	(39)	(379,132)	(32)	(324,374)	(43)
Operating income (loss)		43,059	10	(10,039)	(4)	86,648	8	(59,982)	(8)
Non-operating income and expenses									
Interest income	Note 24	375	-	452	-	1,552	-	2,661	-
Other gain and loss	Notes 25&29	(4,243)	(1)	8,766	3	37,383	3	(7,619)	(1)
Finance costs	Note 26	(468)	-	(1,088)	-	(1,374)	-	(3,849)	-
Share of loss of associates and joint ventures	Notes 4&12	(1,338)	-	(3,579)	(1)	(9,131)	(1)	(9,048)	(1)
Subtotal		(5,674)	(1)	4,551	2	28,430	2	(17,855)	(2)
Income (loss) from continuing operations before income tax		37,385	9	(5,488)	(2)	115,078	10	(77,837)	(10)
Income tax (expense) benefit	Note 27	8,858	2	(1,505)	-	(882)	-	(2,399)	-
Net income (loss)		46,243	11	(6,993)	(2)	114,196	10	(80,236)	(10)
Other comprehensive income and loss									
Items that will not be reclassified subsequently to profit or loss:									
Remeasurement of defined benefit plans	Note 20	949	-	(2,682)	(1)	4,486	-	(5,989)	(1)
Income tax expense related to items that will not be reclassified subsequently to profit or loss	Note 27	-	-	-	-	-	-	-	-
Subtotal		949	-	(2,682)	(1)	4,486	-	(5,989)	(1)
Items that may be reclassified subsequently to profit or loss:									
Exchange differences on translation of foreign operations	Note 21	(433)	-	(8,669)	(3)	(14,081)	(1)	(21,416)	(3)
Income tax expense related to items that may be reclassified subsequently to profit or loss	Notes 21&27	68	-	1,357	-	2,282	-	3,669	-
Subtotal		(365)	-	(7,312)	(3)	(11,799)	(1)	(17,747)	(3)
Total other comprehensive loss, net of tax		584	-	(9,994)	(4)	(7,313)	(1)	(23,736)	(4)
Total comprehensive income (loss)		\$ 46,827	11	\$ (16,987)	(6)	\$ 106,883	9	\$ (103,972)	(14)
Net income (loss) attributable to:									
Stockholders of the parent		\$ 29,262	7	\$ (11,998)	(4)	\$ 77,269	7	\$ (89,382)	(11)
Non-controlling interests		16,981	4	5,005	2	36,927	3	9,146	1
		\$ 46,243	11	\$ (6,993)	(2)	\$ 114,196	10	\$ (80,236)	(10)
Comprehensive income (loss) attributable to:									
Stockholders of the parent		\$ 29,937	7	\$ (20,109)	(7)	\$ 72,625	6	\$ (110,046)	(15)
Non-controlling interests		16,890	4	3,122	1	34,258	3	6,074	1
		\$ 46,827	11	\$ (16,987)	(6)	\$ 106,883	9	\$ (103,972)	(14)
Earnings per share	Note 28								
Earnings per share-basic		\$ 0.16		\$ (0.07)		\$ 0.43		\$ (0.49)	

The accompanying notes are integral part of consolidated financial statements.

**English Translation of Consolidated Financial Statements Originally Issued in Chinese**

Princeton Technology Corp. and Subsidiaries  
Consolidated Statements of Changes in Equity  
For the nine months ended September 30, 2021 & 2020  
(Expressed in Thousand New Taiwan Dollars)  
(Reviewed, Not Audited)

	Equity attributable to the parent												Non-controlling interests	Total Equity
	Additional pain-in capital					Retained earnings			Other components of equity					
	Common Stock	Premiums	Recognize changes in subsidiaries' ownership	Share of changes in equities of associates and joint venture	Employee stock options	Legal reserve	Unappropriated earnings (Accumulated losses)	Exchange differences arising on translation of foreign operations	Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	Total				
Balance as of January 1, 2020	\$ 1,809,437	\$ 1,102	\$ 39	\$ 10,140	\$ 4,592	\$ 306,123	\$ (249,930)	\$ (22,416)	\$ (40,123)	\$ 1,818,964	\$ 97,238	\$ 1,916,202		
Adjustments to share of changes in equities of associates and joint venture	-	-	-	(3,639)	-	-	-	-	-	(3,639)	-	(3,639)		
Net (loss) income for the nine months ended September 30, 2020	-	-	-	-	-	-	(89,382)	-	-	(89,382)	9,146	(80,236)		
Other comprehensive income for the nine months ended September 30, 2020	-	-	-	-	-	-	-	(14,675)	(5,989)	(20,664)	(3,072)	(23,736)		
Total comprehensive (loss) income	-	-	-	-	-	-	(89,382)	(14,675)	(5,989)	(110,046)	6,074	(103,972)		
Balance as of September 30, 2020	<u>\$ 1,809,437</u>	<u>\$ 1,102</u>	<u>\$ 39</u>	<u>\$ 6,501</u>	<u>\$ 4,592</u>	<u>\$ 306,123</u>	<u>\$ (339,312)</u>	<u>\$ (37,091)</u>	<u>\$ (46,112)</u>	<u>\$ 1,705,279</u>	<u>\$ 103,312</u>	<u>\$ 1,808,591</u>		
Balance as of January 1, 2021	\$ 1,809,437	\$ 1,102	\$ 39	\$ 6,501	\$ 4,592	\$ 306,123	\$ (326,636)	\$ (42,336)	\$ (44,292)	\$ 1,714,530	\$ 110,227	\$ 1,824,757		
Net income for the nine months ended September 30, 2021	-	-	-	-	-	-	77,269	-	-	77,269	36,927	114,196		
Other comprehensive income for the nine months ended September 30, 2021	-	-	-	-	-	-	-	(9,130)	4,486	(4,644)	(2,669)	(7,313)		
Total comprehensive income (loss)	-	-	-	-	-	-	77,269	(9,130)	4,486	72,625	34,258	106,883		
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	-	(1,579)	-	1,579	-	-	-		
Balance as of September 30, 2021	<u>\$ 1,809,437</u>	<u>\$ 1,102</u>	<u>\$ 39</u>	<u>\$ 6,501</u>	<u>\$ 4,592</u>	<u>\$ 306,123</u>	<u>\$ (250,946)</u>	<u>\$ (51,466)</u>	<u>\$ (38,227)</u>	<u>\$ 1,787,155</u>	<u>\$ 144,485</u>	<u>\$ 1,931,640</u>		

The accompanying notes are integral part of financial statements.

**English Translation of Consolidated Financial Statements Originally Issued in Chinese**

Princeton Technology Corp. and Subsidiaries

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2021 & 2020

(Expressed in Thousand New Taiwan Dollars)

(Reviewed, Not Audited)

	<u>2021.01.01~2021.09.30</u>	<u>2020.01.01~2020.09.30</u>
Cash flows from operating activities:		
Net income (loss) before tax	\$ 115,078	\$ (77,837)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	39,640	39,740
Amortization expense	103	104
Expected credit losses (gains)	2,795	(865)
Net (income) loss of financial instruments at fair value through profit or loss	(27,237)	3,376
Finance costs	1,374	3,849
Interest income	(1,552)	(2,661)
Dividend income	-	(1,022)
Share of loss of associates and joint ventures	9,131	9,048
Loss on disposal of property, plant and equipment, net	-	2
Loss on disposal of investments	176	111
Changes in operating assets and liabilities:		
Decrease (increase) in :		
Mandatorily classified FVTPL	(11,594)	122,017
Notes receivable	1,850	3,965
Accounts receivable	(99,542)	(33,744)
Accounts receivable-related parties, net	(51)	-
Other receivables	(3,152)	300
Inventories	(49,917)	22,328
Prepayments	(2,908)	3,847
Other financial assets	14	(8)
Increase (decrease) in :		
Contract liability	4,722	570
Accounts payable	45,737	18,417
Other payables	6,806	3,563
Other current liabilities	348	(9)
Net defined benefit liabilities	(1,138)	(1,093)
Cash provided by operations	30,683	113,998
Interest received	1,821	3,923
Interest paid	(1,670)	(7,209)
Income tax paid	(3,437)	(855)
Net cash provided by operating activities	<u>27,397</u>	<u>109,857</u>

( Continued )

	<u>2021.01.01~2021.09.30</u>	<u>2020.01.01~2020.09.30</u>
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	20,805	-
Proceeds from Financial assets at amortized cost	74,482	155,599
Acquisition of investments accounted for under the equity method	-	(19,392)
Acquisition of property, plant and equipment	(44,963)	(30,117)
Acquisition of intangible assets	(13)	(17)
Decreases in other noncurrent assets	1,874	75
Dividend received	-	1,022
Net cash provided by investing activities	<u>52,185</u>	<u>107,170</u>
Cash flows from financing activities		
Decrease in long-term banks loans	(2,835)	(63,820)
Increase in refundable deposits	739	1,225
Repayment of the principal portion of lease liabilities	(2,137)	(2,151)
Increase in non-controlling interests	(2,669)	(3,072)
Net cash used in financing activities	<u>(6,902)</u>	<u>(67,818)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1,681</u>	<u>(652)</u>
Net increase in cash and cash equivalents	74,361	148,557
Cash and cash equivalents at beginning of period	<u>433,543</u>	<u>373,996</u>
Cash and cash equivalents at end of period	<u>\$ 507,904</u>	<u>\$ 522,553</u>

(Concluded)

The accompanying notes are integral part of financial statements.

**English Translation of Financial Statements Originally Issued in Chinese**  
**Princeton Technology Corp. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the nine months ended November 30, 2021 & 2020**  
**(Expressed in Thousand New Taiwan Dollars, unless otherwise specified)**

**1. Company establishment**

Princeton Technology Corp. (PTC) was established in May 1986. It specializes in the development, design, testing and sales of high quality, high value-added consumer integrated circuits(ICs). PTC's common shares were publicly listed on the Gre Tai Securities Market (GTSM) in December, 2001.

**2. Date and procedures of authorization of financial statements for issue**

The financial statements were reported to the Board of Directors and issued on November 8, 2021.

**3. Newly issued or revised standards and interpretations**

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the Company accounting policies.

b. The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC with effective date starting 2022.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB (Note1)</u>
Annual Improvements to IFRS Standards 2018–2020 Cycle	January 1, 2022 (Note2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note3)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note4)
Amendments to IAS 37 "Onerous Contracts–Cost of Fulfilling a Contract"	January 1, 2022 (Note5)

Note:1. Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issued, the Company has assessed the possible impact that the application of other standards and interpretations will have no material impact on the Company's financial position and financial performance.

c. The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “The disclosure of accounting policies”	January 1, 2023
Amendments to IAS 8 “Clarify the definition of accounting estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” <sup>13</sup>	January 1, 2023

As of the date the accompanying consolidated financial statements were issued, the Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the other standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

#### **4. Summary of significant accounting policies**

Significant accounting policies are summarized as follows:

##### **Statement of Compliance**

The accompany consolidated financial statements have been prepared in conformity 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 FSC. The consolidated financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements prepared under the IFRSs endorsed and issued into effect the FSC.

##### **Basis of Preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets, as explained in the accounting policies below.

##### **Basis of Consolidation**

###### **a. The basis for the consolidated financial statements**

The consolidated financial statements incorporate the financial statements of PTC and entities controlled by PTC (its subsidiaries). Income and expenses of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

Changes in the Company’s ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Company loses control of a subsidiary, the Company should recognize any resulting differences between (1) the fair value of the consideration received, from the transaction, event or circumstances that resulted in the loss of control; and any investment retained in the former subsidiary at its fair value at the date when control is lost, and (2) the assets (including any goodwill), liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost.

If the Company loses control of a subsidiary, the Company shall account for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost shall be regarded as the cost on initial recognition of an investment in an associate.

**b. The subsidiaries in the consolidated financial statements**

The detail information of the subsidiaries at the end of reporting period was as follows:

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership		
			September 30, 2021	December 31, 2020	September 30, 2020
Princeton Technology Corp.	PRINCETON SILICON LIMITED (PRINCETON SILICON)	Holding company	100.00%	100.00%	100.00%
Princeton Technology Corp.	Princeton Capital Corp. (Princeton Capital)	Investment holding	100.00%	100.00%	100.00%
PRINCETONSILICON	Princeton Technology (Shenzhen) Ltd. (Princeton Technology (Shenzhen))	IC sales, design & marketing and software research; the research and development of separators for lithium-ion batteries; communications equipment technical consulting and after-sale service	100.00%	100.00%	100.00%
PRINCETONSILICON	Princeton Technology (Chengdu) Corp. (Princeton Technology (Chengdu))	IC design and software research, technology transfer, technical consulting, after-sales service; modular design of electronic systems, development and sale; IC sale, import and export, communications equipment research, sales, import and export, technical consulting, after-sale service; lithium-ion batteries research, sales, import and export	100.00%	100.00%	100.00%
Princeton Technology (Shenzhen)	Chengdu Chip-Rail Microelectronics Co., Ltd. (Chengdu Chip-Rail)	Computer systems development, IC design, computer hardware and software design and technical services	51.00%	51.00%	51.00%

**c. Unconsolidated subsidiaries:**

The information on non-controlling interest and respective subsidiaries are as follows:

Name of subsidiary	Principal place of business	Percentage of Ownership of Non-controlling Interest		
		September 30, 2021	December 31, 2020	September 30, 2020
Chengdu Chip-Rail	China	49.00%	49.00%	49.00%

Name of subsidiary	Profit or Loss Distribute to Non-controlling Interest			
	2021.07~ 2021.09	2020.07~ 2020.09	2021.01~ 2021.09	2020.01~ 2020.09
Chengdu Chip-Rail	\$ 16,981	\$ 5,005	\$ 36,927	\$ 9,146

Name of subsidiary	Non-controlling Interest		
	September 30, 2021	December 31, 2020	September 30, 2020
Chengdu Chip-Rail	\$ 144,485	\$ 110,227	\$ 103,312

The summary financial information (including the intra-company transactions) of subsidiaries are as follows :

Balance sheets

	September 30, 2021	December 31, 2020	September 30, 2020
Current assets	\$ 341,405	\$ 264,424	\$ 238,138
Non-current assets	7,212	10,550	6,766
Current liabilities	(53,667)	(49,939)	(33,978)
Non-current liabilities	(82)	(82)	(85)
Equity	<u>\$ 294,868</u>	<u>\$ 224,953</u>	<u>\$ 210,841</u>
Equity attributable to :			
Stockholders of the parent	\$ 150,383	\$ 114,726	\$ 107,529
Non-controlling interests	<u>144,485</u>	<u>110,227</u>	<u>103,312</u>
	<u>\$ 294,868</u>	<u>\$ 224,953</u>	<u>\$ 210,841</u>

Statements of comprehensive incomes

	2021.07~ 2021.09	2020.07~ 2020.09	2021.01~ 2021.09	2020.01~ 2020.09
Net sales	<u>\$ 148,233</u>	<u>\$ 85,264</u>	<u>\$ 431,313</u>	<u>\$ 197,360</u>
Net profit for the period	\$ 34,656	\$ 10,213	\$ 75,362	\$ 18,665
Other comprehensive income	(186)	(3,841)	(5,448)	(6,269)
Total comprehensive income	<u>\$ 34,470</u>	<u>\$ 6,372</u>	<u>\$ 69,914</u>	<u>\$ 12,396</u>
Net profit attributable to :				
Stockholders of the parent	\$ 17,675	\$ 5,208	\$ 38,435	\$ 9,519
Non-controlling interests	<u>16,981</u>	<u>5,005</u>	<u>36,927</u>	<u>9,146</u>
	<u>\$ 34,656</u>	<u>\$ 10,213</u>	<u>\$ 75,362</u>	<u>\$ 18,665</u>
Comprehensive income attributable to:				
Stockholders of the parent	\$ 17,580	\$ 3,250	\$ 35,656	\$ 6,322
Non-controlling interests	<u>16,890</u>	<u>3,122</u>	<u>34,258</u>	<u>6,074</u>
	<u>\$ 34,470</u>	<u>\$ 6,372</u>	<u>\$ 69,914</u>	<u>\$ 12,396</u>
Dividends paid to non-controlling interests	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Statements of cash flows

	2021.01.01~2021.09.30	2020.01.01~2020.09.30
Net cash (used in) provided by operating activities	\$ (17,102)	\$ 63,109
Net cash provided by (used in) investing activities	<u>14,370</u>	<u>(43,114)</u>
Net (decrease) increase in cash and cash equivalents	<u>\$ (2,732)</u>	<u>\$ 19,995</u>

d. Non-wholly owned subsidiaries that have noncontrolling material interests: None.

e. Adjustments for subsidiaries with different balance sheet dates: None.

f. Issuance of securities held by a subsidiary of the parent content: None.

g. Significant restrictions: None.

### **Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

When a business combination is achieved in stages, the Company's previously held equity interest in an acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized on the same basis as would be required if those interests were directly disposed of by the Company.

### **Foreign Currencies**

The financial statements of each individual consolidated entity were expressed in the currency which reflected its primary economic environment (functional currency). The functional currency of the Company and presentation currency of the consolidated financial statements are both New Taiwan Dollars (NT\$).

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into NT\$ using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

### **Classification of Current and Noncurrent Assets and Liabilities**

Current assets are assets held for trading purposes and assets expected to be converted to cash or cash equivalent, sold or consumed within 12 months from the end of the reporting period, unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the end of the reporting period.

Current liabilities are obligations incurred for trading purposes, obligations expected to be settled within 12 months from the end of the reporting periods and obligations for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period the end of the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

## **Cash Equivalents**

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including the original maturity of the time deposits within three months).

## **Financial Instruments**

Financial assets and liabilities shall be recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially recognized at fair values. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

## **Financial Assets**

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

### **a. Classification and subsequent measurement**

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets as amortized, and investments in debt and equity instruments at FVTOCI. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### **(a) Financial assets at FVTPL**

Financial assets are classified as at FVTPL, when the financial assets are mandatorily classified or are designated as at FVTPL.

Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVOCI and debt instruments that do not meet the amortized cost criteria or the FVOCI criteria.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

#### **(b) Investments in equity instruments at FVTOCI**

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

#### **(c) Financial assets at amortized cost**

Financial assets that meet the following 2 conditions are subsequently measured at amortized cost:

- The financial asset is held within a business model whose objective is collecting contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost (including cash and cash equivalents, accounts receivable), are measured at amortized cost, which equals gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

#### b. Impairment of financial assets and contract assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivable), investments in debt instrument that are measured at FVTOCI as well as contract assets.

The Company always recognizes lifetime Expected Credit Losses (ECLs) for accounts receivable, contract assets and lease receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

#### c. Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI in its entirety, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without reclassifying to profit or loss.

### **Equity instruments and Financial liabilities**

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### a. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

If the Company reacquires its own equity instruments, those instruments shall be deducted from equity. No gain or loss shall be recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### b. Financial liabilities

Financial liabilities are subsequently measured either at amortized cost using effective interest method or at FVTPL.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or is designated as at fair value through profit or loss.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

#### c. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

#### **Inventories**

Inventories consist of raw materials, work in process, finished goods and merchandise. Inventories are stated at actual purchase costs and the weight-average method is applied in computing the cost of inventories.

Inventories are valued at the lower of cost or net realizable value item by item. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

#### **Investments Accounted for under the Equity Method**

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The operating results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognized the changes in the share of equity of associates.

If the Company share of losses of an associate equals or exceeds its "interest in the associate", the Company discontinues recognizing its share of further losses. The "interest in an associate" is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the Company's net investment in the associate. After the interest is reduced to zero, additional losses are recognized by a provision (liability) only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and cannot be amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional associate new shares at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the additional subscription of associate new shares, the proportionate amount of the gains or

losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities, the above adjustment shall change to capital surplus or retained earnings.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which it ceases to have significant influence over the associate and the joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. In addition, The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate and the joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

### **Property, Plant and Equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment. Costs include any incremental costs that are directly attributable to the construction or acquisition of the item of property, plant and equipment.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets commences when the assets are ready for their intended use.

Land is not depreciated.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

### **Leases**

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Company allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

#### **a. The Company as lessee**

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are presented on a separate line in the consolidated balance sheets. With respect to the recognition and measurement of right-of-use assets that meet the definition of investment properties, refer to the aforementioned accounting policies for investment properties.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. If the lease transfers ownership of the underlying assets to the Company by the end of the lease terms or if the cost of right-of-use assets reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in the amounts expected to be payable under a residual value guarantee, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

#### b. The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease.

### **Investment Properties**

Investment properties are properties held to earn rentals or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the estimated useful lives.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

### **Goodwill**

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

Goodwill is not amortized and instead is tested for impairment annually, or more frequently when there is an indication that the cash generating unit may be impaired. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination. If the recoverable amount of a cash-generating unit is less than its carrying amount, the difference is allocated first to reduce the carrying amount of any goodwill allocated to such cash generating unit and then to the other assets of the cash generating unit pro rata based on the carrying amount of each asset in the cash generating unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

### **Intangible Assets**

#### **(a) Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

#### **(b) Internally-generated intangible assets-research and development expenditure**

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate.

The cost of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria mentioned above.

The subsequent measurement of such intangible asset is stated at cost less any accumulated amortization and accumulated impairment losses.

#### **(c) Derecognition of intangible assets**

Intangible assets are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

### **Impairment of Tangible and Intangible Assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

## **Provision**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

## **Borrowing costs**

Borrowing costs directly attributable to the acquisition of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

## **Retirement Benefits**

### Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

### Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and net interest on the net defined benefit liability (asset)) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

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 financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

### Other long-term employee benefits

Employees' and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

### Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

## **Share-based Payment Arrangements**

Employee stock option plan are measured at the fair value of the stock options at the grant date. The fair value of the stock option granted determined at the grant date of the stock options is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in capital surplus -

employee stock option. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from original estimates.

The Company shall revise the estimate number of employee stock option expected to vest at the end of each reporting period.

If the number of employee stock option expected to vest differs from previous estimates, the Company shall recognize the effect in operating expense, with a corresponding adjustment to additional paid in capital.

### **Revenue Recognition**

The Company identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

The Company transfer a promised good or service to a customer and the date the customer pays for that good or service is one year or less, the Company do not adjust the promised amount of consideration for any effect of a significant financing component.

#### **Sale of goods**

The Company manufactures and sells merchandise. Sales are recognized when goods have been shipped and customers have obtained the control (the customer has the ability to direct the use of the goods and obtain substantially all of the remaining benefits from the goods). The main product of the Company are consumer integrated circuits (ICS) and revenue is recognized based on the consideration stated in the contract.

The Company does not recognize sale on transactions involving the delivery of materials to subcontractors since there is no transfer to subcontractors of the rights to these materials.

The Company guarantee that merchandise could work smoothly as expected and such transactions are recognized in accordance with IAS37.

The credit period of the Company's sale of goods is from 60 to 90 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The period between the Company transfers the goods to customers and when the customers pay for that goods is usually short and there is no significant financing component to the contract. However, for some contracts, part of the consideration was received from customers before transferring the goods, then the Company has the obligation to transfer the goods subsequently and it should be recognized as contract liabilities.

#### **Rendering of services**

The Company provides IC design services. Revenues are recognized based on the stage of completion of the contracts.

The contractual considerations of the Company are received in accordance with the payment schedule set by the contracts. When the Company has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, then the Company has the obligation to provide the services subsequently and it should be recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arisen.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income.

Interim period income taxes are assessed on an annual basis. Interim period income tax expense is calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to total annual earnings.

Income tax on unappropriated earnings (excluding earnings from foreign consolidated subsidiaries) at a rate of 10% is expensed in the year of shareholder approval which is the year subsequent to the year the earnings are generated.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

#### Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carryforwards and tax credits for research and development expenses to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and increased to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

#### Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

### **5. Critical accounting judgments and key sources of estimation and uncertainty**

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company consider the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revision and future periods if the revisions affect both current and future periods.

The main sources of significant accounting judgments, estimates and assumptions are as follows:

**Impairment of tangible and intangible assets other than goodwill**

The Company measures the useful life of individual assets and the probable future economic benefits in a specific asset group, which depends on subjective judgment, asset characteristics and industry, during the impairment testing process. Any change in accounting estimates due to economic circumstances and business strategies might cause material impairment in the future.

**Allowance for inventory valuation and obsolescence losses**

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value was based on current market conditions and the historical experience with product sales of a similar nature. Changes in market conditions may have a significant effect on the estimation of net realizable value.

**Fair value measurements and valuation processes**

If some of the Company’s assets and liabilities measured at fair value have no quoted prices in active markets, the Company determine the appropriate valuation techniques for the fair value measurements and whether to engage third party qualified valuers based on managements’ judgement and related regulations.

Where Level 1 inputs are not available, the Company would determine appropriate inputs by referring to the analyses of the financial position and the operation results of the investees, recent transaction prices, prices of the same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, and valuation multiples of comparable entities. If the actual changes of inputs in the future differ from expectation, the fair value might vary accordingly. The Company updates inputs every quarter to confirm the appropriateness of the fair value measurement.

For information about the valuation techniques and inputs used in determining the fair value of various investments. Refer to Note 35.

**6.Cash and cash equivalents**

	September 30, 2021	December 31, 2020	September 30, 2020
Cash on hand	\$ 464	\$ 390	\$ 420
Checking and savings accounts	500,658	323,919	311,807
Time deposits	6,782	109,234	210,326
	<u>\$ 507,904</u>	<u>\$ 433,543</u>	<u>\$ 522,553</u>

As of September 30, 2021, December 31, 2020 and September 30, 2020, the pledged certificates of bank deposits have been reclassified to other financial assets. Refer to Note 30.

**7.Financial assets at FVTPL, current**

a.The details of financial assets at FVTPL, current are as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Mandatorily classified financial assets as at FVTPL</u>			
Non-derivative financial assets			
Wealth management products	\$ 165,303	\$ 109,954	\$ 86,195
Listed stocks	34,139	54,921	44,149
Mutual funds	101,027	98,603	126,152
	<u>\$ 300,469</u>	<u>\$ 263,478</u>	<u>\$ 256,496</u>

b.The above financial assets at FVTPL, current were all not pledged.

## 8. Financial assets at FVTOCI

a. The details of financial assets at FVTOCI are as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
<b><u>Investment in equity instruments, non-current</u></b>			
Listed stocks through private placement	\$ 1,993	\$ 795	\$ 611
Non-publicly traded stocks	5,055	22,572	20,936
	<u>\$ 7,048</u>	<u>\$ 23,367</u>	<u>\$ 21,547</u>

b. These investments in equity instruments are not held for trading; instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

c. The above financial assets at FVTOCI were all not pledged.

## 9. Financial assets at amortized cost, current

a. The details of Financial assets at amortized cost, current are as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Time deposits with original maturity of more than 3 months	\$ 100,518	\$ 175,000	\$ 42,704
Interest rate	0.06% ~ 1.55%	0.45% ~ 1.75%	1.50% ~ 1.75%

b. The above financial assets at amortized cost, current were all not pledged.

## 10. Notes and accounts receivable, net and other receivable

	September 30, 2021	December 31, 2020	September 30, 2020
<b><u>Notes receivable</u></b>			
Notes receivable-operating activities	\$ 8,308	\$ 10,158	\$ 8,583
Notes receivable-non operating activities	—	—	—
Less: allowance for doubtful accounts	—	—	—
	<u>\$ 8,308</u>	<u>\$ 10,158</u>	<u>\$ 8,583</u>
<b><u>Accounts receivable</u></b>			
Accounts receivable	\$ 361,190	\$ 261,699	\$ 222,086
Less: allowance for doubtful accounts	(9,741)	(7,048)	(7,227)
	<u>\$ 351,449</u>	<u>\$ 254,651</u>	<u>\$ 214,859</u>
<b><u>Other receivables</u></b>			
Tax refund receivable	\$ 5,874	\$ 2,991	\$ 3,292
Less: allowance for doubtful accounts	—	—	—
	<u>\$ 5,874</u>	<u>\$ 2,991</u>	<u>\$ 3,292</u>

a. The Company applies the simplified approach to provisions for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected credit losses provision for all trade receivables. The expected credit losses on receivables are estimated using a provision matrix by reference to past default experience of the customers and an analysis of the customers' current financial positions, as well as the forward-looking indicators such as macroeconomic business indicator. The Company estimates expected credit losses based on the number of days for which receivables are past due. As the Company's historical credit losses experience does not show significantly different loss patterns for different customer

segments, the provision for losses based on past due status is not further distinguished according to the Company's different customer base.

b. The following table details the loss allowance of accounts receivable and other receivables.

	September 30, 2021					Total
	Not Past Due	1 to 60 Days	61 to 90 Days	91 to 180 Days	Over 180 Days	
Gross carrying amount	\$ 357,223	\$ —	\$ —	\$ —	\$ 9,741	\$ 367,064
Estimates expected credit loss rate	0%	0%	0%	0%	100%	
Loss allowance (Lifetime ECL)	—	—	—	—	(9,741)	(9,741)
Amortized cost	<u>\$ 357,223</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 357,323</u>
	December 31, 2020					Total
	Not Past Due	1 to 60 Days	61 to 90 Days	91 to 180 Days	Over 180 Days	
Gross carrying amount	\$ 257,642	\$ —	\$ —	\$ —	\$ 7,048	\$ 264,690
Estimates expected credit loss rate	0%	0%	0%	0%	100%	
Loss allowance (Lifetime ECL)	—	—	—	—	(7,048)	(7,048)
Amortized cost	<u>\$ 257,642</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 257,642</u>
	September 30, 2020					Total
	Not Past Due	1 to 60 Days	61 to 90 Days	91 to 180 Days	Over 180 Days	
Gross carrying amount	\$ 218,151	\$ —	\$ —	\$ —	\$ 7,227	\$ 225,378
Estimates expected credit loss rate	0%	0%	0%	0%	100%	
Loss allowance (Lifetime ECL)	—	—	—	—	(7,227)	(7,227)
Amortized cost	<u>\$ 218,151</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 218,151</u>

The movements of the allowance for doubtful accounts and other receivables

	2021.01.01~2021.09.30	2020.01.01~2020.09.30
Balance, beginning of period	\$ 7,048	\$ 8,199
Add: Provision	4,631	—
Less: Reversal	(1,836)	(865)
Effect of exchange rate changes	(102)	(107)
Balance, end of period	<u>\$ 9,741</u>	<u>\$ 7,227</u>

c. The above notes and accounts receivable, net and other receivables were all not pledged.

## **11. Inventories, net**

	September 30, 2021	December 31, 2020	September 30, 2020
Merchandises	\$ 8,927	\$ 6,708	\$ 10,883
Finished goods	82,275	60,232	85,103
Work in progress	139,635	130,156	135,866
Raw materials	40,411	24,235	26,706
	<u>\$ 271,248</u>	<u>\$ 221,331</u>	<u>\$ 258,558</u>

a. The cost of goods sold of the Company consisted of the following:

	2021.07~ 2021.09	2020.07~ 2020.09	2021.01~ 2021.09	2020.01~ 2020.09
Selling cost of inventories	\$ 264,570	\$ 181,772	\$ 726,150	\$ 478,864
Gain (loss) on decline in value of inventory	(2,485)	539	(7,141)	6,310
Others	—	(20)	61	(149)
	<u>\$ 262,085</u>	<u>\$ 182,291</u>	<u>\$ 719,070</u>	<u>\$ 485,025</u>

b. The above inventories, net were all not pledged.

## 12. Investments accounted for under the equity method

	September 30, 2021	December 31, 2020	September 30, 2020
Investments in associates	\$ 7,476	\$ 16,607	\$ 20,539

Associates consisted of the following:

	September 30, 2021		December 31, 2020		September 30, 2020	
	Carrying value	%	Carrying value	%	Carrying value	%
<u>Common stock</u>						
Foresight Energy Technology Co., Ltd.	\$ 498	17.59%	\$ 7,048	17.59%	\$ 9,830	17.59%
Morelink Technology Corporation	6,978	9.80%	9,559	9.80%	10,709	9.80%
Microlink Communications Inc.	—	25.00%	—	25.00%	—	25.00%
	<u>\$ 7,476</u>		<u>\$ 16,607</u>		<u>\$ 20,539</u>	

a. As of September 30, 2021, the Company's equity in Foresight Energy Technology Co., Ltd. and Morelink Technology Corporation are 17.59% and 9.80%, respectively. The Company held less than 20% of Foresight Energy Technology Co., Ltd. and Morelink Technology Corporation's stock with voting rights, but has significant influence over this investee and accounted for the investment by equity method.

b. As of December 31, 2012, the stockholders' equity of Microlink Communications Inc. had become negative, and the Company didn't intend to continue its support for the investee company. The Company recognized investment loss that make the carrying amount of long-term investment equal to zero.

Unrecognized investment loss of Microlink Communications Inc. was summarized as follows:

	2021.07~ 2021.09	2020.07~ 2020.09	2021.01~ 2021.09	2020.01~ 2020.09
Unrecognized investment loss:				
Current year amount	\$ —	\$ —	\$ —	\$ —
Accumulatd amount	\$ —	\$ —	\$ 24,258	\$ 24,727

c. Financial information of the Company's associates was summarized as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Total assets	\$ 232,694	\$ 260,091	\$ 289,812
Total liabilities	\$ 236,107	\$ 222,481	\$ 225,571
	2021.07~ 2021.09	2020.07~ 2020.09	2021.01~ 2021.09
Net revenue	\$ 25,573	\$ 8,527	\$ 51,606
Net loss	\$ (10,743)	\$ (23,330)	\$ (61,622)
The Company's share of other comprehensive gain of associates	\$ —	\$ —	\$ —

d. The investment loss for the nine months ended September 30, 2021 and 2020 were based on the investees' financial statements reviewed by the auditors for the same periods.

e. All the investments accounted for under equity method were not pledged.

### 13. Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Furnitures	Other equipment	Subtotal
Cost :							
January 1, 2021	\$ 133,228	\$ 343,640	\$ 2,331	\$ 12,200	\$ 10,468	\$ 86,355	\$ 588,222
Acquisitions	—	3,586	—	—	318	19,425	23,329
Disposals	—	—	—	—	(106)	(17,780)	(17,886)
Exchange effect	—	(5,297)	—	(152)	(201)	(1,333)	(6,983)
September 30, 2021	<u>\$ 133,228</u>	<u>\$ 341,929</u>	<u>\$ 2,331</u>	<u>\$ 12,048</u>	<u>\$ 10,479</u>	<u>\$ 86,667</u>	<u>\$ 586,682</u>
January 1, 2020	\$ 133,228	\$ 356,251	\$ 751	\$ 9,093	\$ 10,500	\$ 90,746	\$ 600,569
Acquisitions	—	—	1,580	—	134	29,610	31,324
Disposals	—	—	—	—	(10)	(27,924)	(27,934)
Exchange effect	—	(7,399)	—	(94)	(234)	(1,486)	(9,213)
September 30, 2020	<u>\$ 133,228</u>	<u>\$ 348,852</u>	<u>\$ 2,331</u>	<u>\$ 8,999</u>	<u>\$ 10,390</u>	<u>\$ 90,946</u>	<u>\$ 594,746</u>
Accumulated depreciation :							
January 1, 2021	\$ 6,201	\$ 80,241	\$ 768	\$ 6,652	\$ 6,822	\$ 43,531	\$ 144,215
Acquisitions	—	7,504	410	1,593	1,165	22,803	33,475
Disposals	—	—	—	—	(106)	(17,780)	(17,886)
Exchange effect	—	(715)	—	(89)	(137)	(687)	(1,628)
September 30, 2021	<u>\$ 6,201</u>	<u>\$ 87,030</u>	<u>\$ 1,178</u>	<u>\$ 8,156</u>	<u>\$ 7,744</u>	<u>\$ 47,867</u>	<u>\$ 158,176</u>
January 1, 2020	\$ 6,201	\$ 71,584	\$ 292	\$ 6,233	\$ 6,353	\$ 46,697	\$ 137,360
Acquisitions	—	7,674	338	656	760	23,885	33,313
Disposals	—	—	—	—	(9)	(27,923)	(27,932)
Exchange effect	—	(854)	—	(83)	(139)	(726)	(1,802)
September 30, 2020	<u>\$ 6,201</u>	<u>\$ 78,404</u>	<u>\$ 630</u>	<u>\$ 6,806</u>	<u>\$ 6,965</u>	<u>\$ 41,933</u>	<u>\$ 140,939</u>

a. Depreciation is computed by the average method over these estimated service live plus one years to reflect estimated salvage value :

Buildings	16~55 years
Machinery and equipment	3 years
Transportation equipment	4~5 years
Furnitures	2~5 years
Other equipment	1~10 years

b. All the property, plant and equipment were pledged. Refer to Notes 19 and 30.

### 14. Lease arrangements

#### a. Right-of-use assets

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Carrying amounts</u>			
Land	\$ 8,531	\$ 9,103	\$ 9,219
Buildings	2,142	4,285	4,999
	<u>\$ 10,673</u>	<u>\$ 13,388</u>	<u>\$ 14,218</u>

	<u>Land</u>	<u>Buildings</u>	<u>Subtotal</u>
Cost :			
January 1, 2021	\$ 9,500	\$ 5,713	\$ 15,213
Acquisitions	—	—	—
Disposals and reclassification	(229)	—	(229)
Exchange effect	(210)	—	(210)
September 30, 2021	<u>\$ 9,061</u>	<u>\$ 5,713</u>	<u>\$ 14,774</u>
January 1, 2020	\$ 14,870	\$ 4,307	\$ 19,177
Acquisitions	—	5,713	5,713
Disposals and reclassification	(4,774)	(4,307)	(9,081)
Exchange effect	(437)	—	(437)
September 30, 2020	<u>\$ 9,659</u>	<u>\$ 5,713</u>	<u>\$ 15,372</u>
Accumulated depreciation :			
January 1, 2021	\$ 397	\$ 1,428	\$ 1,825
Depreciation	147	2,143	2,290
Disposals	(5)	—	(5)
Exchange effect	(9)	—	(9)
September 30, 2021	<u>\$ 530</u>	<u>\$ 3,571</u>	<u>\$ 4,101</u>
Accumulated depreciation :			
January 1, 2020	\$ 319	\$ 2,871	\$ 3,190
Depreciation	238	2,150	2,388
Disposals	(102)	(4,307)	(4,409)
Exchange effect	(15)	—	(15)
September 30, 2020	<u>\$ 440</u>	<u>\$ 714</u>	<u>\$ 1,154</u>

**b. Lease liabilities**

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Carrying amounts</u>			
Current	\$ 2,170	\$ 2,857	\$ 2,842
Non-current	—	1,450	2,170
	<u>\$ 2,170</u>	<u>\$ 4,307</u>	<u>\$ 5,012</u>

Ranges of discount rate for lease liabilities are as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Land	—	—	—
Buildings	<u>2.09%</u>	<u>2.09%</u>	<u>2.09%</u>

**c. Material lease-in activities and terms**

The Company leases certain leasehold land and buildings for the use of office with lease terms of 2 years to 47 years. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

**d. Subleases**

The Company subleased part of its right-of-use assets for land in Chengdu, China under operating leases. Right-of-use assets that meet the definition of investment properties are reclassified to investment properties. Refer to Note 15 for further information on investment properties.

e. Other lease information

	2021.07~ 2021.09	2020.07~ 2020.09	2021.01~ 2021.09	2020.01~ 2020.09
Expenses relating to low-value asset leases	\$ 873	\$ 616	\$ 2,247	\$ 3,066
Total cash outflow for leases	\$ (1,589)	\$ (1,317)	\$ (4,384)	\$ (5,217)

The Company applies the recognition exemption to leases of equipment and others qualifying as short-term leases and low-value asset leases and does not recognize right-of-use assets and lease liabilities for these leases.

**15. Investment Property**

	<u>Buildings</u>	<u>Right-of-use assets</u>	<u>Subtotal</u>
Cost :			
January 1, 2021	\$ 269,323	\$ 4,625	\$ 273,948
Transfers from Right-of-use assets	—	229	229
Additional	—	—	—
Disposals and reclassification	—	—	—
Exchange effect	(5,969)	(102)	(6,071)
September 30, 2021	<u>\$ 263,354</u>	<u>\$ 4,752</u>	<u>\$ 268,106</u>
January 1, 2020	\$ 283,532	\$ —	\$ 283,532
Transfers from Right-of-use assets	—	4,774	4,774
Additional	—	—	—
Disposals and reclassification	—	—	—
Exchange effect	(8,335)	—	(8,335)
September 30, 2020	<u>\$ 275,197</u>	<u>\$ 4,774</u>	<u>\$ 279,971</u>
Accumulated amortization and impairment :			
January 1, 2021	\$ 12,873	\$ 197	\$ 13,070
Transfers from Right-of-use assets	—	5	5
Depreciation	3,798	77	3,875
Disposals and reclassification	—	—	—
Exchange effect	(308)	(6)	(314)
September 30, 2021	<u>\$ 16,363</u>	<u>\$ 273</u>	<u>\$ 16,636</u>
January 1, 2020	\$ 8,120	\$ —	\$ 8,120
Transfers from Right-of-use assets	—	102	102
Depreciation	3,969	70	4,039
Disposals and reclassification	—	—	—
Exchange effect	(331)	(1)	(332)
September 30, 2020	<u>\$ 11,758</u>	<u>\$ 171</u>	<u>\$ 11,929</u>

a. The Company's R&D building construction in Chengdu, China had been completed and transferred the cost of building to PP&E and investment properties according to estimated purpose, respectively. Because the market for comparable properties is inactive and alternative reliable measurements of fair value were not available; therefore, the Company determined that the fair value of the investment property is not reliably measurable.

b. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	2021.07~ 2021.09	2020.07~ 2020.09	2021.01~ 2021.09	2020.01~ 2020.09
Rental income from investment property	\$ 2,297	\$ 1,226	\$ 5,782	\$ 2,170
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 442	\$ 820	\$ 1,333	\$ 1,336
Direct operating expenses arising from the investment property that did not generate rental income during the period	\$ 842	\$ 507	\$ 2,542	\$ 2,703

c. The investment property was depreciated on a straight-line basis over its estimated lives as follows :

Buildings	47 years
Right-of-use assets	47 years

d. All the investment Property were not pledged.

## 16. Intangible Assets

	Goodwill	Patents	Subtotal
Cost :			
January 1, 2021	\$ 3,891	\$ 1,570	\$ 5,461
Additional	—	13	13
Disposals and reclassification	—	—	—
Exchange effect	(64)	(27)	(91)
September 30, 2021	\$ 3,827	\$ 1,556	\$ 5,383
January 1, 2020	\$ 3,825	\$ 1,527	\$ 5,352
Additional	—	17	17
Disposals and reclassification	—	—	—
Exchange effect	(30)	(13)	(43)
September 30, 2020	\$ 3,795	\$ 1,531	\$ 5,326
Accumulated amortization and impairment :			
January 1, 2021	\$ —	\$ 1,184	\$ 1,184
Amortization expenses	—	103	103
Disposals and reclassification	—	—	—
Exchange effect	—	(21)	(21)
September 30, 2021	\$ —	\$ 1,266	\$ 1,266
January 1, 2020	\$ —	\$ 1,023	\$ 1,023
Amortization expenses	—	104	104
Disposals and reclassification	—	—	—
Exchange effect	—	(7)	(7)
September 30, 2020	\$ —	\$ 1,120	\$ 1,120

a. Intangible assets were amortized on a straight-line basis over their estimated useful lives as follows:

Patents	5~10 years
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b. The Company's goodwill has been tested for impairment at the end of the annual reporting period and the recoverable amount is determined based on the value in use. The value in use was the recoverable amount calculated based on the cash flow forecast from financial budgets and adequate discount rates. The Company determine whether the goodwill had suffered an impairment loss based on the procedures mentioned aboved and a cash-generating unit to which goodwill has been allocated should be tested for impairment annually.

## **17. Other noncurrent assets**

	September 30, 2021	December 31, 2020	September 30, 2020
Balance prepaid-machinery and equipment	\$ 21,208	\$ —	\$ —
Refundable deposit	912	2,787	2,787
Others	1,443	1,442	1,443
	<u>\$ 23,563</u>	<u>\$ 4,229</u>	<u>\$ 4,230</u>

a. All the other noncurrent assets were not pledged.

## **18. Other payables**

	September 30, 2021	December 31, 2020	September 30, 2020
Salaries and wages payable	\$ 55,238	\$ 48,328	\$ 40,342
Service payable	3,153	3,832	3,195
Interest payable	355	1,322	665
Balance payable-machinery and equipment	78	504	1,044
Others	16,409	15,163	15,440
	<u>\$ 75,233</u>	<u>\$ 69,149</u>	<u>\$ 60,686</u>

## **19. Long-term loans**

	September 30, 2021	December 31, 2020	September 30, 2020
Secured loans	\$ 125,100	\$ 127,935	\$ 130,725
Less : Current portion	(41,700)	(127,935)	(87,150)
	<u>\$ 83,400</u>	<u>\$ —</u>	<u>\$ 43,575</u>
Interest rate	<u>1.64% ~ 1.93%</u>	<u>1.69% ~ 4.65%</u>	<u>1.74% ~ 4.65%</u>
Expiration Year	<u>2023</u>	<u>2021</u>	<u>2021</u>

a. The details of assets pledged as collateral for long-term loans are set in Notes 13 and 30.

b. Unused credit line as of September 30, 2021, December 31, 2020 and September 30, 2020, were amounted to NT\$161,700 thousand, NT\$120,000 thousand and NT\$120,000 thousand, respectively.

## **20. Retirement benefit plans**

### **a. Defined contribution plans**

The pension mechanism under the Labor Pension Act (the "Act") is deemed a defined contribution plan. Pursuant to the Act, PTC and Princeton Capital Corp., have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, Princeton Technology (Shenzhen) Ltd., Princeton Technology (Chengdu) Corp. and Chengdu Chip-Rail Microelectronics Co., Ltd. are required by local regulations to make monthly contributions at certain percentages of the basic salary of their employees. Pursuant to the aforementioned Act and local regulations, the Company recognized expenses of NT\$6,098 thousand, NT\$3,721 thousand, NT\$17,769 thousand and NT\$11,131 thousand in the consolidated statements of comprehensive income or the three months ended September 30, 2021 and 2020, and for the nine months ended September 30, 2021 and 2020, respectively. The net pension cost under the Labor Pension Act amounted to NT\$1,656 thousand and NT\$1,588 thousand were not paid as of September 30, 2021 and 2020, respectively.

### **b. Defined benefit plans**

PTC have defined benefit plans under the Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The aforementioned companies contribute an amount equal to 2% of salaries

paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by the government's designated authorities; as such, the Company does not have any right to intervene in the investments of the Funds.

The pension costs of the aforementioned defined benefit plans were recognized in profit or loss by the following categories:

	2021.07.01~ 2021.09.30	2020.07.01~ 2020.09.30	2021.01.01~ 2021.09.30	2020.01.01~ 2020.09.30
Cost of goods sold	\$ 5	\$ 6	\$ 13	\$ 17
Marketing expenses	13	15	29	41
General and administrative expenses	41	49	105	151
Research and development expenses	34	75	132	226
	<u>\$ 93</u>	<u>\$ 145</u>	<u>\$ 279</u>	<u>\$ 435</u>

The Company expects to make contributions of NT\$2,082 thousand to the defined benefit plans in the next year starting from September 30, 2021.

## 21. Equity

### a. Capital

	September 30, 2021	December 31, 2020	September 30, 2020
Authorized shares (thousand shares)	<u>230,000</u>	<u>230,000</u>	<u>230,000</u>
Authorized	<u>\$ 2,300,000</u>	<u>\$ 2,300,000</u>	<u>\$ 2,300,000</u>
Issued and paid capital shares (thousand shares)	<u>180,943.7</u>	<u>180,943.7</u>	<u>180,943.7</u>
Issued	<u>\$ 1,809,437</u>	<u>\$ 1,809,437</u>	<u>\$ 1,809,437</u>

As of September 30, 2021, December 31, 2020 and September 30, 2020, the authorized capital shares are 230,000 thousand shares, with par value of \$10 per share entitled the right to vote and to receive dividends.

### b. Capital surplus

	September 30, 2021	December 31, 2020	September 30, 2020
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (a)</u>			
Premiums	\$ 1,102	\$ 1,102	\$ 1,102
<u>May be used to offset a deficit only</u>			
Recognize changes in subsidiaries' ownership (b)	39	39	39
Share of changes in equities of associates and joint venture	6,501	6,501	6,501
<u>May not be used for any purpose</u>			
Employee stock options	4,592	4,592	4,592
	<u>\$ 12,234</u>	<u>\$ 12,234</u>	<u>\$ 12,234</u>

- (a) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's paid-in capital and once a year).
- (b) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for by using equity method.

c. Retained earnings and dividend policy

According to the retained earnings distribution policy in the Incorporation of the Company, if the Company has earning upon settlement for a fiscal year, after taxes are paid by law and accumulated deficits are set off, ten percent shall be appropriated as legal earning reserves; however, if the amount of the legal earning reserves has attained the amount of paid-in capital of the Company, no further appropriation shall be made. The remainder shall be appropriated or reversed as special earning reserves. If there still has balance, considering together with accumulated undistributed earnings, the Board of Directors shall prepare the proposal for earning distribution, which shall be submitted to the stockholders' meeting for a resolution of distribution of dividends and bonuses to stockholders.

According the amended Article of Incorporation of the Company, the dividend policy of the Company is to deliberately distribute dividends, in the light of present and future development plan, taking into consideration the investment environments, fund demands, and domestic competition status, as well as factors of interests of stockholders; provided. However, the amount of proposed earning distribution of current year may not be less than 50% of accumulated distributable earnings. In distributing dividends and bonuses to stockholders, the distribution may be made by stocks or cash, of which cash dividends may not be less than 50% of total amount of dividends.

The Company no longer has supervisors since June 13, 2008. The required duties of supervisors are being fulfilled by the Audit Committee.

The appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.

Pursuant to existing regulations, the Company is required to set aside additional special capital reserve equivalent to the net debit balance of the other components of stockholders' equity, such as the accumulated balance of foreign currency translation reserve, unrealized valuation gain/loss from available-for-sale financial assets, gain/loss from changes in fair value of hedging instruments in cash flow hedges, etc. For the subsequent decrease in the deduction amount to stockholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The Company loss of profit for the years ended December 31, 2021 and 2020, respectively, therefore the Company didn't disclosure information about dividend per share.

Information about the bonus to employees and remuneration to directors is available on the Market Observation Post System Website of the Taiwan Stock Exchange.

d. Others

(a) Foreign Currency Translation Reserve

	<u>2021.01.01~2021.09.30</u>	<u>2020.01.01~2020.09.30</u>
Balance, beginning of period	\$ (42,336)	\$ (22,416)
Foreign currency translation reserve	(11,412)	(18,344)
Income tax effect	<u>2,282</u>	<u>3,669</u>
Balance, end of period	<u>\$ (51,466)</u>	<u>\$ (37,091)</u>

The exchange differences arising from the translation of foreign operation's net assets from its functional currency to PTC's presentation currency are recognized directly in other comprehensive income and also accumulated in the foreign currency translation reserve. When those foreign operation's net assets have been disposed of or are determined to be impaired subsequently, the related cumulative gains or losses in other comprehensive income are reclassified to profit or loss.

(b) Changes in Unrealized gain (loss) on financial assets at FVTOCI

	<u>2021.01.01~2021.09.30</u>	<u>2020.01.01~2020.09.30</u>
Balance, beginning of period	\$ (44,292)	\$ (40,123)
Changes in unrealized gain (loss) on financial assets at FVTOCI	4,486	(5,989)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>1,579</u>	<u>—</u>
Balance, end of period	<u>\$ (38,227)</u>	<u>\$ (46,112)</u>

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

e. Noncontrolling interests

	<u>2021.01.01~2021.09.30</u>	<u>2020.01.01~2020.09.30</u>
Balance, beginning of period	\$ 110,227	\$ 97,238
Share of noncontrolling interests:		
Net income	36,927	9,146
Other comprehensive income	<u>(2,669)</u>	<u>(3,072)</u>
Balance, end of period	<u>\$ 144,485</u>	<u>\$ 103,312</u>

**22. Revenue**

	<u>2021.07~ 2021.09</u>	<u>2020.07~ 2020.09</u>	<u>2021.01~ 2021.09</u>	<u>2020.01~ 2020.09</u>
Revenue from contracts with customers				
Net revenue from sale of goods	\$ 434,004	\$ 280,894	\$ 1,170,803	\$ 741,940
Net revenue from rendering of services	<u>2,153</u>	<u>2,674</u>	<u>14,047</u>	<u>7,477</u>
	<u>\$ 436,157</u>	<u>\$ 283,568</u>	<u>\$ 1,184,850</u>	<u>\$ 749,417</u>

Relevant information of revenue from contracts with customers for the nine months ended September 30, 2021 and 2020 is as follows:

a. Disaggregation of revenue

The revenue of the Company could be breakdown by major products and geographical locations, the related information is refer to Note 39. The disaggregation of revenue recognition point is as follows:

	<u>2021.01.01~2021.09.30</u>	<u>2020.01.01~2020.09.30</u>
Revenue recognition point:		
At a point in time	\$ 1,170,803	\$ 741,940
Satisfies the performance obligation over time	<u>14,047</u>	<u>7,477</u>
	<u>\$ 1,184,850</u>	<u>\$ 749,417</u>

b.Contract balances

	September 30, 2021	December 31, 2020	September 30, 2020
Contract liabilities - current			
Sales of goods	\$ 5,862	\$ 1,140	\$ 3,518

The changes in the contract liability balances primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment.

The Company recognized revenue from the beginning balance of contract liability, which amounted to NT\$1,091 thousand and NT\$2,907 thousand for the nine months ended September 30, 2021 and 2020, respectively.

c.Transaction price allocated to unsatisfied performance obligations

As of September 30, 2021 and 2020, no disclosure of the unsatisfied performance obligations is needed as the contract terms with customers about the sales of goods are all shorter than one year.

d.Assets recognized from costs to fulfil a contact: None.

**23.Additional information of expenses by nature**

As of September 30, 2021, December 31, 2020 and September 30, 2020, the Company's employees numbered 313, 305 and 315, respectively.

The Company's net income (loss) includes the following items:

	2021.07.01~2021.09.30			2020.07.01~2020.09.30		
	As cost of goods sold	As operating expenses	Total	As cost of goods sold	As operating expenses	Total
Employment expenses						
Salaries	\$ 1,238	\$ 69,633	\$ 70,871	\$ 1,219	\$ 60,263	\$ 61,482
Insurance	144	3,695	3,839	140	3,407	3,547
Pension						
Defined contribution plans	69	6,029	6,098	68	3,653	3,721
Defined benefit plans	5	88	93	6	139	145
Remuneration of directors	—	145	145	—	95	95
Others	115	2,502	2,617	131	2,744	2,875
	<u>\$ 1,571</u>	<u>\$ 82,092</u>	<u>\$ 83,663</u>	<u>\$ 1,564</u>	<u>\$ 70,301</u>	<u>\$ 71,865</u>
Depreciation expenses	<u>\$ 209</u>	<u>\$ 12,680</u>	<u>\$ 12,889</u>	<u>\$ 221</u>	<u>\$ 12,816</u>	<u>\$ 13,037</u>
Amortization expenses	<u>\$ —</u>	<u>\$ 34</u>	<u>\$ 34</u>	<u>\$ —</u>	<u>\$ 35</u>	<u>\$ 35</u>
	2021.01.01~2021.09.30			2020.01.01~2020.09.30		
	As cost of goods sold	As operating expenses	Total	As cost of goods sold	As operating expenses	Total
Employment expenses						
Salaries	\$ 3,794	\$ 197,078	\$ 200,872	\$ 4,070	\$ 174,417	\$ 178,487
Insurance	466	11,316	11,782	435	10,592	11,027
Pension						
Defined contribution plans	205	17,564	17,769	207	10,924	11,131
Defined benefit plans	13	266	279	17	418	435
Remuneration of directors	—	365	365	—	355	355
Others	379	7,924	8,303	396	8,018	8,414
	<u>\$ 4,857</u>	<u>\$ 234,513</u>	<u>\$ 239,370</u>	<u>\$ 5,125</u>	<u>\$ 204,724</u>	<u>\$ 209,849</u>
Depreciation expenses	<u>\$ 628</u>	<u>\$ 39,012</u>	<u>\$ 39,640</u>	<u>\$ 571</u>	<u>\$ 39,169</u>	<u>\$ 39,740</u>
Amortization expenses	<u>\$ —</u>	<u>\$ 103</u>	<u>\$ 103</u>	<u>\$ —</u>	<u>\$ 104</u>	<u>\$ 104</u>

In accordance with to the R.O.C. Company Act and the articles of incorporation of the Company, the Company shall allocate 5%~20% of profit as employees' profit sharing bonus and no more 1.5% of profit as directors' compensation for each profitable fiscal year. However, the Company's accumulated losses shall be reserved. The employees' profit sharing bonus under the preceding paragraph will be entitled to receive shares or cash. The

employees of the PTC's subsidiaries who fulfill specific requirements finalized by the Board of Directors may be granted such bonus. The appropriations of profit sharing bonus to employees and compensation to directors shall be submitted to the stockholders' meeting.

The Company loss of profit for the nine months ended September 30, 2021 and 2020, respectively, therefore the Company didn't accrue any compensation expenses.

The differences of the amounts between the resolved and accrual amounts of the profit sharing bonus to employees and the compensation to directors resulted from changing the base of the estimate and had been adjusted in profit and loss for the next year.

Information about the profit sharing bonus to employees and compensation to directors is available on the Market Observation Post System Website of the Taiwan Stock Exchange.

#### **24. Other income**

	<u>2021.07.01~ 2021.09.30</u>	<u>2020.07.01~ 2020.09.30</u>	<u>2021.01.01~ 2021.09.30</u>	<u>2020.01.01~ 2020.09.30</u>
Interest income				
Bank deposits	\$ 374	\$ 451	\$ 1,549	\$ 2,657
Others	<u>1</u>	<u>1</u>	<u>3</u>	<u>4</u>
	<u>\$ 375</u>	<u>\$ 452</u>	<u>\$ 1,552</u>	<u>\$ 2,661</u>

#### **25. Other gains and losses**

	<u>2021.07.01~ 2021.09.30</u>	<u>2020.07.01~ 2020.09.30</u>	<u>2021.01.01~ 2021.09.30</u>	<u>2020.01.01~ 2020.09.30</u>
Other gains:				
Net gain on financial instruments at FVTPL	\$ —	\$ 8,125	\$ 27,237	\$ —
Rent Income	2,873	1,464	7,360	2,890
Cash dividend	—	1,022	—	1,022
Others	<u>2,225</u>	<u>2,078</u>	<u>11,018</u>	<u>4,154</u>
	<u>5,098</u>	<u>12,689</u>	<u>45,615</u>	<u>8,066</u>
Other losses:				
Net loss on financial instruments at FVTPL	(9,073)	—	—	(3,376)
Loss on disposal of investments, net	(38)	—	(176)	(111)
Loss on disposal of property, plant and equipment, net	—	—	—	(2)
Net exchange losses	(230)	(3,923)	(8,056)	(10,961)
Others	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,235)</u>
	<u>(9,341)</u>	<u>(3,923)</u>	<u>(8,232)</u>	<u>(15,685)</u>
	<u>\$ (4,243)</u>	<u>\$ 8,766</u>	<u>\$ 37,383</u>	<u>\$ (7,619)</u>

#### **26. Finance costs**

	<u>2021.07.01~ 2021.09.30</u>	<u>2020.07.01~ 2020.09.30</u>	<u>2021.01.01~ 2021.09.30</u>	<u>2020.01.01~ 2020.09.30</u>
Interest Expense				
Bank deposits	\$ 454	\$ 1,060	\$ 1,320	\$ 3,811
Lease liabilities	13	27	52	36
Others	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>
	<u>\$ 468</u>	<u>\$ 1,088</u>	<u>\$ 1,374</u>	<u>\$ 3,849</u>

#### **27. Income tax**

a. Income tax expense (benefit) consisted of the following

(a) Income tax expense (benefit) recognized in profit or loss:

	2021.07.01~ 2021.09.30	2020.07.01~ 2020.09.30	2021.01.01~ 2021.09.30	2020.01.01~ 2020.09.30
Current income tax expense				
Current tax expense recognized for the current period	\$ (2,670)	\$ 721	\$ 4,637	\$ 721
Income tax adjustments on prior years	(5,704)	—	(5,704)	—
	<u>(8,374)</u>	<u>721</u>	<u>(1,067)</u>	<u>721</u>
Deferred income tax expense (benefit)				
Temporary differences	(484)	784	1,949	1,678
Income tax expense (benefit) recorded in profit or loss	<u>\$ (8,858)</u>	<u>\$ 1,505</u>	<u>\$ 882</u>	<u>\$ 2,399</u>

(b) Income tax expense recognized in other comprehensive income:

	2021.07.01~ 2021.09.30	2020.07.01~ 2020.09.30	2021.01.01~ 2021.09.30	2020.01.01~ 2020.09.30
Deferred income tax expense				
Foreign currency translation reserve	<u>\$ 68</u>	<u>\$ 1,357</u>	<u>\$ 2,282</u>	<u>\$ 3,669</u>

b. The differences between the expected income tax based on the pre-tax loss at the statutory income tax rate and the actual income tax expense reported in the accompanying statements of income are summarized as follows:

	2021.07.01~ 2021.09.30	2020.07.01~ 2020.09.30	2021.01.01~ 2021.09.30	2020.01.01~ 2020.09.30
Expected income tax expense (benefit) calculated using the statutory tax date	\$ 4,938	\$ 1,708	\$ 37,603	\$ (14,629)
Permanent differences	1,602	(1,792)	(4,998)	929
Income tax adjustments on prior years	(5,704)	—	(5,704)	—
Research and development tax credits	(9,391)	—	(9,391)	—
Tax loss carry forward	5,373	7,965	1,530	18,968
(Gain) loss recognized by equity method	(4,969)	(7,619)	(16,708)	(2,041)
Gain on decline in value of inventory	(321)	1,244	(1,064)	(829)
Loss on allowance for doubtful accounts	<u>(386)</u>	<u>(1)</u>	<u>(386)</u>	<u>1</u>
Income tax expense (benefit) recorded in profit or loss	<u>\$ (8,858)</u>	<u>\$ 1,505</u>	<u>\$ 882</u>	<u>\$ 2,399</u>

Princeton Technology (Shenzhen) Ltd. and Princeton Technology (Chengdu) Corp. amended income tax rate of 25% in accordance with the law of the “People’s Republic of China on Enterprise Income Tax” and related laws.

Princeton Technology (Chengdu) Corp. and Chengdu Chip-Rail Microelectronics Co., Ltd. meet the regulations has the local taxation bureau filed and approved the application of high-tech enterprises within three years from 2019 and 2020 had been approved to apply preferential tax rate is 15%.

Princeton Technology (Chengdu) Corp. and Chengdu Chip-Rail Microelectronics Co., Ltd. applied to the local tax bureau for income tax relief for research and development expenses in the third quarter of 2021.

c. Current tax assets and liabilities

	September 30, 2021	December 31, 2020	June 30, 2020
Current tax assets			
Income tax receivable	<u>\$ 2,808</u>	<u>\$ —</u>	<u>\$ 476</u>
Current tax liabilities			
Income tax payable	<u>\$ —</u>	<u>\$ 1,682</u>	<u>\$ —</u>

d. The analysis of deferred income tax in the consolidated balance sheets was as follows:

For the nine months ended September 30, 2021	Balance, Beginning of Period	Recognized in			Exchange effect	Balance, End of Period
		Profit or Loss	Other Comprehensive Income			
Deferred income tax assets						
Loss on decline value of inventory	\$ 8,995	\$ (1,096)	\$ —	\$ (3)	\$ 7,896	
Actuarial gains and losses on defined benefit plan	691	—	—	—	691	
Unrealized intercompany profits	182	(168)	—	—	14	
Unrealized foreign exchange loss	1,016	(1,016)	—	—	—	
Foreign currency translation reserve	3,619	—	2,282	—	5,901	
Others	800	387	—	(29)	1,158	
Subtotal	<u>15,303</u>	<u>(1,893)</u>	<u>2,282</u>	<u>(32)</u>	<u>15,660</u>	
Deferred income tax liabilities						
Unrealized foreign exchange loss	—	(56)	—	—	(56)	
Subtotal	<u>—</u>	<u>(56)</u>	<u>—</u>	<u>—</u>	<u>(56)</u>	
	<u>\$ 15,303</u>	<u>\$ (1,949)</u>	<u>\$ 2,282</u>	<u>\$ (32)</u>	<u>\$ 15,604</u>	

For the nine months ended September 30, 2020	Balance, Beginning of Period	Recognized in			Exchange effect	Balance, End of Period
		Profit or Loss	Other Comprehensive Income			
Deferred income tax assets						
Loss on decline value of inventory	\$ 9,382	\$ (676)	\$ —	\$ (35)	\$ 8,671	
Actuarial gains and losses on defined benefit plan	714	—	—	—	714	
Unrealized intercompany profits	327	(317)	—	—	10	
Unrealized foreign exchange loss	1,803	(620)	—	—	1,183	
Foreign currency translation reserve	—	—	2,308	—	2,308	
Others	834	(65)	—	21	790	
Subtotal	<u>13,060</u>	<u>(1,678)</u>	<u>2,308</u>	<u>(14)</u>	<u>13,676</u>	
Deferred income tax liabilities						
Foreign currency translation reserve	(1,361)	—	1,361	—	—	
Subtotal	<u>(1,361)</u>	<u>—</u>	<u>1,361</u>	<u>—</u>	<u>—</u>	
	<u>\$ 11,699</u>	<u>\$ (1,678)</u>	<u>\$ 3,669</u>	<u>\$ (14)</u>	<u>\$ 13,676</u>	

e. Investment tax credits, tax loss carry forward and five-year exemption from tax on income from sales:

There were no unused investment tax credits available as of September 30, 2021.

Tax loss carry forward were as follows:

	Unused tax loss carry	
	forward	Expiration date
PTC	\$ 285,943	December 31, 2031
Princeton Capital Corp.	29,646	December 31, 2030
Princeton Technology(Shenzhen) Ltd.	3,694	December 31, 2023
Princeton Technology(Chengdu) Corp.	127,540	December 31, 2030
	<u>\$ 446,823</u>	

f. Income tax examination

The tax authorities have examined income tax returns of PTC, Princeton Capital Corp. and CORTEX CORP. through 2019.

**28. Earning per shares**

	2021.07.01~ 2021.09.30	2020.07.01~ 2020.09.30	2021.01.01~ 2021.09.30	2020.01.01~ 2020.09.30
Basic EPS	<u>\$ 0.16</u>	<u>\$ (0.07)</u>	<u>\$ 0.43</u>	<u>\$ (0.49)</u>

Net loss and weighted average number of common stocks used in the calculation of earnings per share were as follows

	2021.07.01~ 2021.09.30	2020.07.01~ 2020.09.30	2021.01.01~ 2021.09.30	2020.01.01~ 2020.09.30
Net loss attributable to the parent	\$ 29,262	\$ (11,998)	\$ 77,269	\$ (89,382)
Net income used to compute the basic earnings per share	180,944	180,944	180,944	180,944

## 29. Related-party transactions

Intercompany balances and transactions between PTC and its subsidiaries, which are related parties of PTC, have been eliminated upon consolidation; therefore those items are not disclosed in this note. The following is a summary of transactions between the Company and other related parties:

### a. Related party name and nature of relationship

<u>Related Parties</u>	<u>Relationship</u>
Morelink Technology Corporation	Associates
Foresight Energy Technology Co., Ltd.	Associates
All directors, supervisors, general manager and deputy general manager	Main manager echelon of the Company

### b. Sales

	2021.07.01~ 2021.09.30	2020.07.01~ 2020.09.30	2021.01.01~ 2021.09.30	2020.01.01~ 2020.09.30
Associates	\$ 49	\$ —	\$ 49	\$ 170

The sales to the above related parties were dealt with in the ordinary course of business with the sales price made in the way similar to the sales to third-party customers. The collection period for the third-party customers was 60~90 days, while the terms for related parties, associates, were 60 days.

### c. Others

	<u>Account</u>	2021.07.01~ 2021.09.30	2020.07.01~ 2020.09.30	2021.01.01~ 2021.09.30	2020.01.01~ 2020.09.30
Associates	Other revenue	\$ 133	\$ 411	\$ 399	\$ 1,232

### e. Receivables

	September 30, 2021	December 31, 2020	September 30, 2020
Accounts receivables			
Associates	\$ 51	\$ —	\$ —
Other receivables			
Associates	\$ 47	\$ 144	\$ 144

### f. Compensation of key management personnel

	2021.07.01~ 2021.09.30	2020.07.01~ 2020.09.30	2021.01.01~ 2021.09.30	2020.01.01~ 2020.09.30
Short-term employee benefits	\$ 1,539	\$ 1,444	\$ 8,338	\$ 8,283
Retirement benefits	54	54	161	161
	\$ 1,593	\$ 1,498	\$ 8,499	\$ 8,444

The information about the Company's appropriation of remuneration to all directors, supervisors, general manager and deputy general manager is available on the shareholders' meeting annual report.

### **30.Assets mortgaged or pledged**

As of September 30, 2021, December 31, 2020 and September 30, 2020, the following assets had been pledged or mortgaged as collateral to bank loan, Chengdu Construction Bureau Supervision and Government for Purchase from Overseas:

	September 30, 2021	December 31, 2020	September 30, 2020
Land	\$ 116,748	\$ 116,748	\$ 116,748
Buildings	43,210	44,544	44,988
Other financial assets-bank deposits	2,032	2,046	2,024
	<u>\$ 161,990</u>	<u>\$ 163,338</u>	<u>\$ 163,760</u>

### **31.Significant contingent liabilities and unrecognized commitments**

1. Under certain agreement, the Company shall pay royalties at a percentage of net sales (as defined in the agreement) with respect to certain products.
2. As of September 30, 2021, the amounts of endorsements and guarantees (provided to each entity in the Group) was US\$6,000 thousand.

**32.Significant loss:** None.

**33.Subsequent events:** None.

### **34.Capital management**

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize the stockholders' value.

The management reviews the capital structure of the Company quarterly. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. According to the management's suggestion, the Company maintains a balanced capital structure through paying cash dividends, increasing its share capital, purchasing treasury stock, proceeds from new debt or repayment of debt.

### **35.Disclosure of financial instruments**

a. Fair values of financial instruments :

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial assets</u>			
FVTPL			
Mandatorily classified financial assets as at FVTPL	\$ 300,469	\$ 263,478	\$ 259,496
FVTOCI			
Equity instruments	7,048	23,367	21,547
Financial assets measured at amortized cost (Note 1)	976,997	881,176	796,802
	<u>\$ 1,284,514</u>	<u>\$ 1,168,021</u>	<u>\$ 1,074,845</u>
<u>Financial liabilities</u>			
Financial liabilities measured at amortized cost (Note 2)	<u>\$ 358,406</u>	<u>\$ 308,681</u>	<u>\$ 290,528</u>

Note 1: Including cash and cash equivalents, contract assets, notes & accounts receivable-net, other receivables, refundable deposit and other financial assets.

Note 2: Including notes & accounts payable, other payables, long-term loans (including current portion), refundable deposits and other financial liabilities.

b. Fair value of financial instruments

(a) The Fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are 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); and
- Level 3 inputs are unobservable inputs for the asset or liability.

(b) Fair value of financial instruments carried at amortized cost

The Company considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

(c) Fair value of financial instruments

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value:

	September 30, 2021			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Mutual funds	\$ 101,027	\$ —	\$ —	\$ 101,027
Financial products	—	165,303	—	165,303
Listed stocks	34,139	—	—	34,139
	<u>\$ 135,166</u>	<u>\$ 165,303</u>	<u>\$ —</u>	<u>\$ 300,469</u>
<u>Financial assets at FVTOCI</u>				
Listed stocks through private placement	\$ —	\$ —	\$ 1,993	\$ 1,993
Non-publicly traded stocks	—	—	5,055	5,055
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7,048</u>	<u>\$ 7,048</u>
	December 31, 2020			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Mutual funds	\$ 98,603	\$ —	\$ —	\$ 98,603
Financial products	—	109,954	—	109,954
Listed stocks	54,921	—	—	54,921
	<u>\$ 153,524</u>	<u>\$ 109,954</u>	<u>\$ —</u>	<u>\$ 263,478</u>
<u>Financial assets at FVTOCI</u>				
Listed stocks through private placement	\$ —	\$ —	\$ 795	\$ 795
Non-publicly traded stocks	—	—	22,572	22,572
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 23,367</u>	<u>\$ 23,367</u>
	September 30, 2020			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Mutual funds	\$ 126,152	\$ —	\$ —	\$ 126,152
Financial products	—	86,195	—	86,195
Listed stocks	44,149	—	—	44,149
	<u>\$ 170,301</u>	<u>\$ 86,195</u>	<u>\$ —</u>	<u>\$ 256,496</u>
<u>Financial assets at FVTOCI</u>				
Listed stocks through private placement	\$ —	\$ —	\$ 611	\$ 611
Non-publicly traded stocks	—	—	20,936	20,936
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 21,547</u>	<u>\$ 21,547</u>

There were no transfers between Level 1 and 2 for the nine months ended September 30, 2021 and 2020.

(d) Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes publicly traded stocks and money market funds).
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

(e) Reconciliation of Level 3 recurring fair value measurements of financial instruments:

	<u>2021.01.01~2021.09.30</u>	<u>2020.01.01~2020.09.30</u>
Financial assets at FVTOCI—Equity instruments		
Balance, beginning of period	\$ 23,367	\$ 27,536
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	(20,805)	—
Amount recognized in OCI	4,486	(5,989)
Balance, end of period	<u>\$ 7,048</u>	<u>\$ 21,547</u>

(f) Valuation techniques and inputs applied for the purpose of measuring Level3 fair value measurement:

As of September 30, 2021:

Financial assets :

Financial assets at FVTOCI :

	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Quantitative information</u>	<u>Interrelationship between inputs and fair value</u>	<u>Sensitivity analysis of the inputs to fair value</u>
Stock	Market Approach	Price-Book ratio of similar entities	1.73	The higher the Price-Book ratio of similar entities, the higher the fair value estimated	10% increase (decrease) in the Price-Book ratio of similar entities would result in an increase (decrease) in equity by NT\$199thousand
Stock	Assets Approach	Lack of marketability and Price-Book ratio of similar entities	1.82-77.86	The higher the lack of marketability, the lower the fair value estimated	10% increase (decrease) in the Price-Book ratio of the equity instruments would result in an increase (decrease) in equity by NT\$506thousand

As of December 31, 2020:

Financial assets :

Financial assets at FVTOCI :

	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Quantitative information</u>	<u>Interrelationship between inputs and fair value</u>	<u>Sensitivity analysis of the inputs to fair value</u>
Stock	Market Approach	Price-Book ratio of similar entities	0.69-140.12	The higher the Price-Book ratio of similar entities, the higher the fair value estimated	10% increase (decrease) in the Price-Book ratio of similar entities would result in an increase (decrease) in equity by NT\$1,870thousand
Stock	Assets Approach	Lack of marketability and Price-Book ratio of similar entities	1.38-21.14	The higher the lack of marketability, the lower the fair value estimated	10% increase (decrease) in the Price-Book ratio of the equity instruments would result in an increase (decrease) in equity by NT\$467thousand

As of September 30, 2020:

Financial assets :

Financial assets at FVTOCI :

	Valuation technique	Significant unobservable inputs	Quantitative information	Interrelationship between inputs and fair value	Sensitivity analysis of the inputs to fair value
Stock	Market Approach	Price-Book ratio of similar entities	0.53-113.82	The higher the Price-Book ratio of similar entities, the higher the fair value estimated	10% increase (decrease) in the Price-Book ratio of similar entities would result in an increase (decrease) in equity by NT\$1,516thousand
Stock	Assets Approach	Lack of marketability and Price-Book ratio of similar entities	0.65-21.14	The higher the lack of marketability, the lower the fair value estimated	10% increase (decrease) in the Price-Book ratio of the equity instruments would result in an increase (decrease) in equity by NT\$639thousand

(f) Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Financial Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

c. Financial risk management objectives

The Company seeks to ensure sufficient cost-efficient funding readily available when needed. The Company manages its exposure to foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material treasury activities are reviewed by Audit Committees and/or Board of Directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, Corporate Treasury function must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

d. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise foreign currency risk, interest rate risk and other price risk.

(a) Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities and the Company's net investments in foreign subsidiaries. Some assets and liabilities of the Company denominated in the same foreign currency and were expected to mostly offset gains or losses of changes in foreign exchange rate. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The carrying amounts of significant foreign currency denominated monetary assets and monetary liabilities are as follows:

	September 30, 2021		December 31, 2020		September 30, 2020	
	Foreign Currency (thousand)	Exchange Rate	Foreign Currency (thousand)	Exchange Rate	Foreign Currency (thousand)	Exchange Rate
<b>(Foreign currencies : functional currency)</b>						
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD : TWD	\$ 17,800	27.80	\$ 14,505	28.43	\$ 16,548	29.05
JPY : TWD	33,260	0.2470	27,849	0.2743	26,958	0.2736
CNY : USD	137,466	0.1549	128,636	0.1540	122,664	0.1470
HKD : TWD	264	3.5460	342	3.6430	353	3.7240
EUR : TWD	506	32.12	266	34.82	266	33.95
<u>Non-monetary items</u>						
CNY : USD	\$ 158,634	0.1520	\$ 149,614	0.1519	\$ 147,207	0.1517
<u>Investments accounted for under the equity method</u>						
USD : TWD	\$ 28,261	27.80	\$ 24,910	28.43	\$ 23,623	29.05

Financial Liabilities

Monetary items

USD : TWD	\$ 8,051	27.90	\$ 7,044	28.53	\$ 7,121	29.15
JPY : TWD	1,237	0.2510	1,157	0.2783	1,192	0.2776
CNY : USD	21,949	0.1549	23,925	0.1540	25,681	0.1470
CNY : TWD	—	—	—	—	1	4.2940
HKD : TWD	—	—	4	3.703	3	3.7840

The Company's sensitivity analysis to foreign currency risk mainly focuses on the foreign currency monetary items at the end of the reporting period. Assuming appreciation / depreciation of 1% in the foreign exchanges against the New Taiwan dollar, the net income (loss) for the nine months ended September 30, 2021 and 2020 would have decreased /increased by NT\$7,935 thousand and NT\$7,054 thousand, respectively.

(b)Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans at floating interest rates. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Sensitivity analysis of interest is calculated based on the financial liabilities exposed to cash flow interest rate risk at the end of each reporting period.

If interest rates had been 1% higher/lower, the Company's pre-tax loss for the nine months ended September 30, 2021 and 2020 would increase/decrease by \$237 thousand and NT\$269 thousand, respectively.

(c)Other price risk

The Company were exposed to equity price risk through their investments in mutual funds, listed stocks, non-publicly traded stocks and convertible bonds of listed companies.

The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.

A change of 5% in the price of the listed stocks classified under at fair value through profit or loss could cause the net income (loss) for the nine months ended September 30, 2021 and 2020 would increase/decrease by NT\$6,758 thousand and NT\$8,515 thousand, respectively.

The sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3 of the fair value hierarchy. Please refer to Note 35.

e. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from operating activities, primarily trade receivables, and from financing activities, primarily deposits, fixed-income investments and other financial instruments with banks. Credit risk is managed separately for business related and financial related exposures.

(a) Business related credit risk

In order to maintain the credit quality of trade receivables, the Company has established procedures to monitor and limit exposure to credit risk on trade receivables.

Credit evaluation is performed in the consideration of the relevant factors which may affect the customer's paying ability such as financial condition, external and internal credit scoring, historical experience, and economic conditions. The Company holds some of the credit enhancements such as prepayments and collateral to mitigate its credit risks.

As of September 30, 2021, December 31, 2020 and September 30, 2020, the Company's ten largest customers accounted for 81%, 68% and 72% of total trade receivables, respectively.

(b) Financial credit risk

The Company's exposure to financial credit risk which pertained to bank deposits, fixed income investments and other financial instruments were evaluated and monitored by Corporate Treasury function. The Company only deals with creditworthy counterparties and banks so that no significant credit risk was identified.

f. Liquidity risk

The objective of liquidity risk management is to ensure the Company has sufficient liquidity to fund its business requirements of cash and cash equivalents and the unused of financing facilities associated with existing operations.

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

	September 30, 2021				
	Less Than 1 Year	2-3 Years	4 to 5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Accounts payable (including related parties)	\$ 155,180	\$ —	\$ —	\$ —	\$ 155,180
Other payables	75,233	—	—	—	75,233
Lease liabilities	2,170	—	—	—	2,170
Long-term loans (including current portion)	41,700	83,400	—	—	125,100
	<u>\$ 274,283</u>	<u>\$ 83,400</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 357,683</u>
	December 31, 2020				
	Less Than 1 Year	2-3 Years	4 to 5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Accounts payable (including related parties)	\$ 109,443	—	—	—	\$ 109,443
Other payables	69,149	—	—	—	69,149
Lease liabilities	2,857	1,450	—	—	4,307
Long-term loans (including current portion)	127,935	—	—	—	127,935
	<u>\$ 309,384</u>	<u>\$ 1,450</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 310,834</u>

September 30, 2020

	Less Than				Total
	1 Year	2-3 Years	4 to 5 Years	5+ Years	
<u>Non-derivative financial liabilities</u>					
Accounts payable (including related parties)	\$ 96,715	\$ —	\$ —	\$ —	\$ 96,715
Other payables	60,686	—	—	—	60,686
Lease liabilities	2,842	2,170	—	—	5,012
Long-term loans (including current portion)	87,150	43,575	—	—	130,725
	<u>\$ 247,393</u>	<u>\$ 45,745</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 293,138</u>

### **36. Other matters**

Due to the impact of the COVID-19 pandemic which has evolved globally and currently in Taiwan, The Company's, customers and suppliers in some regions to implement quarantine and travel restrictions. The Company evaluated that there is no significant impact on the overall business operation and financial position of the Company. There are no doubts about the ability of the Company to going concern, assets impairment and financing risks.

### **37. Reclassifications**

Certain 2020 accounts have been reclassified to conform to the 2021 financial statement presentation. As a result, no significant impact on the financial statements.

### **38. Additional disclosures**

Following are the additional disclosures:

- a. Financial provided : Table 1 (attached)
- b. Endorsement/guarantee provided : Table 2 (attached)
- c. Marketable securities held (excluding investments in subsidiaries and jointly controlled entities): Table 3 (attached)
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital : None
- e. Acquisition of individual real estates at costs of at least NT\$300 million or 20% of the paid-in capital : None
- f. Disposal of individual real estates at costs of at least NT\$300 million or 20% of the paid-in capital : None
- g. Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital : None
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital : None
- i. Derivate financial transaction : None
- j. Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and significant transactions between them: Table 4 (attached)
- k. Names, locations and related information of investees on which the Company exercises significant influence : Table 5 (attached)
- l. Investment in Mainland China : Table 6 (attached)
- m. Information of major shareholder : Table 7 (attached)

### **39. Operating segments information**

- a. The Company mainly develops, design, testing and sales of high quality, high value-added consumer integrated circuits (ICs) and operates in the IC design industry only.

b. Major product and service revenue:

	For the nine months ended	
	September 30, 2021	September 30, 2020
POWER IC	\$ 505,615	\$ 253,340
Display IC	342,595	272,092
Multi-Media IC	83,352	63,405
Motor Driver IC	71,241	46,610
RF IC	56,492	46,530
Others	111,508	59,963
Subtotal	1,170,803	741,940
Design revenue	14,047	7,477
	<u>\$ 1,184,850</u>	<u>\$ 749,417</u>

c. Operations in different geographic areas :

Area	2021.01.01~2021.09.30		2020.01.01~2020.09.30	
	Revenue	Noncurrent assests	Revenue	Noncurrent assests
Japan	\$ 266,360	\$ —	\$ 214,286	\$ —
Mainland China(including HK)	799,549	513,289	459,226	535,299
Taiwan	74,607	212,516	412,026	229,743
Korea	7,562	—	5,779	—
Other	36,772	—	28,100	—
	<u>\$ 1,184,850</u>	<u>\$ 725,805</u>	<u>\$ 749,417</u>	<u>\$ 765,042</u>

d. Major customers with sales at least 10% of the Company's total sales were as follows:

	2021.01.01~2021.09.30		2020.01.01~2020.09.30	
	Amount	Percentage of net sales	Amount	Percentage of net sales
C20	\$ 131,983	11.13	\$ 75,729	10.05
C6	101,833	8.59	82,831	11.05
C3	75,379	6.36	99,723	13.31
	<u>\$ 309,195</u>	<u>26.08</u>	<u>\$ 258,283</u>	<u>34.41</u>

Table 1

Financial provided

For the nine months ended September 30, 2021

(Amounts in Thousands of New Taiwan Dollars and RMB Dollars, unless otherwise specified)

No	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance (Note 1)	Amount Actually Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Notes 3)	Financing Company's Total Financing Amount Limits (Notes 4)
													Item	Value		
1	Princeton Technology (Shenzhen) Ltd..	Princeton Technology (Chengdu) Corp.	Other receivables from related parties	Yes	RMB22,000	RMB22,000	8,612	4.85%	Note 2	—	Operating capital	—	—	—	140,922	176,152

Note1 : The maximum balance for the period and ending balance represent the amounts approved by the Board of Directors.

Note2 : The need for short-term financing.

Note3 : The amount that can be financing limits for each borrowing company is 40% of the guarantor's net assets.

$$(NT\$ 352,304 \times 40\% = NT\$140,922)$$

Note4 : The amount that can be Financing Company's total financing is 50% of the guarantor's net assets.

$$(NT\$ 352,304 \times 50\% = NT\$176,152)$$

Table 2

Endorsement/guarantee provided

For the nine months ended September 30, 2021

(Amounts in Thousands of New Taiwan Dollars and US Dollars, unless otherwise specified)

No	Endorser/ guarantor	Counter-party		Limits on endorsement/ guarantee amount provided to each guaranteed party	Maximum balance for the period	Ending balance	Amount actually drawn	Value of collaterals property, plant, or equipment	Ratio of accumulated amount of collateral to net equity as shown in the latest financial statement	Maximum collateral/ guarantee amounts allowable	The holding company to subsidiary	Subsidiary to holding company	Endorsement/ guarantee t in Mainland China
		Name	Nature of relationship with the endorser/guarant or										
0	Princeton Technology Corp.	Princeton Technology (Chengdu) Corp.	Equity-method investee of Princeton Silicon Inc.	804,220	USD14,000	USD 6,000	USD4,500	USD6,000	9.33%	875,706	Y	—	Y

Note1 : The maximum amount that can be guaranteed to individual counter-party is 45% of the guarantor's net assets.

(NT\$ 1,787,155 × 45% = NT\$804,220)

Note2 : The maximum amount that can be guaranteed is 49% of the guarantor's net assets.

(NT\$ 1,787,155 × 49% = NT\$875,706)

Table 3

Marketable securities held

For the nine months ended September 30, 2021

(Shares in thousands ,Amounts in Thousands of New Taiwan Dollars, unless specified)

Investor	Description of Stock	Relationship with the Investor	Financial statement account	September 30, 2021				
				Shares	Carrying value	Percentage of ownership	Fair Value	
Princeton Technology Corp.	Financial products	Asiavalue Principal Guaranteed Note	—	Financial assets at FVTPL	30,000	30,009	—	30,009
Princeton Technology Corp.	Common stock	Innorich Venture Capital Corp.	—	Financial assets at FVTOCI	1,500	5,055	—	5,055
Princeton Capital Corp.	Fund	Yuanta De- Bao Money Market Fund	—	Financial assets at FVTPL	1,675	20,311	—	20,311
Princeton Capital Corp.	Fund	KGI Victory Money Market Fund	—	Financial assets at FVTPL	1,724	20,153	—	20,153
Princeton Capital Corp.	Fund	Prudential Financial Aggressive Growth ETF Fund of Funds-TWD(A)	—	Financial assets at FVTPL	1,892	23,222	—	23,222
Princeton Capital Corp.	Fund	Eastspring Investments Optimal Income Fund of Funds A TWD	—	Financial assets at FVTPL	974	10,925	—	10,925
Princeton Capital Corp.	Fund	FSITC Global High Yield Bond Fund A	—	Financial assets at FVTPL	1,029	15,436	—	15,436
Princeton Capital Corp.	Fund	KGI Taiwan Multi-Asset Income Fund TWD N	—	Financial assets at FVTPL	1,000	10,980	—	10,980
Princeton Capital Corp.	Common stock	Advanced Microelectronic Products Inc.	—	Financial assets at FVTPL	222	2,909	—	2,909
Princeton Capital Corp.	Common stock	Unifosa Corporation	—	Financial assets at FVTPL	2,716	31,230	—	31,230
Princeton Capital Corp.	Common stock	Advanced Microelectronic Products Inc.	—	Financial assets at FVTOCI	1,152	1,993	—	1,993
Princeton Technology (Shenzhen) Ltd.	Financial products	Fubon Hua won the profit of No. 3 wealth management products	—	Financial assets at FVTPL	26,300	113,751	—	113,751
Chengdu Chip-Rail Microelectronics Co.,Ltd.	Financial products	7-day cycle bullish on Wednesday wealth management products	—	Financial assets at FVTPL	3,000	12,931	—	12,931
Chengdu Chip-Rail Microelectronics Co.,Ltd.	Financial products	7-day cycle bullish on Monday wealth management products	—	Financial assets at FVTPL	2,000	8,612	—	8,612

Table 4

Significant intercompany transactions between consolidated entities

For the nine months ended September 30, 2021

(Shares in thousands ,Amounts in Thousands of New Taiwan Dollars, unless specified)

Related Party	Counterparty	Relationship with the Company(Note1)	Transactions			
			Account	Amount	Terms	Percentage of consolidated operating revenues or consolidated total assets (Note 2)
Princeton Technology Corp.	Princeton Technology (Chengdu) Corp.	1	Sales	132,719	No significant difference	11.20%
Princeton Technology Corp.	Princeton Technology (Chengdu) Corp.	1	Purchase	9,450	No significant difference	0.80%
Princeton Technology Corp.	Princeton Technology (Chengdu) Corp.	1	Manufacturing expenses	11,401	No significant difference	0.96%
Princeton Technology Corp.	Princeton Technology (Shenzhen) Ltd.	1	Accounts receivable	25,083	No significant difference	1.08%
Princeton Technology Corp.	Princeton Technology (Shenzhen) Ltd.	1	Accounts payable	5,007	No significant difference	0.22%
Princeton Technology (Shenzhen) Ltd.	Princeton Technology (Chengdu) Corp.	2	Service incomes	18,020	No significant difference	1.52%
Princeton Technology (Shenzhen) Ltd.	Princeton Technology (Chengdu) Corp.	2	Accounts receivable	1,613	No significant difference	0.07%
Princeton Technology (Shenzhen) Ltd.	Princeton Technology (Chengdu) Corp.	2	Other receivable	8,669	No significant difference	0.37%
Princeton Technology (Shenzhen) Ltd.	Princeton Technology (Chengdu) Corp.	2	Interest income	1,297	No significant difference	0.11%
Princeton Technology (Chengdu) Corp.	Chengdu Chip-Rail Microelectronics Co., Ltd.	2	Sales	92	No significant difference	0.01%
Princeton Technology (Chengdu) Corp.	Chengdu Chip-Rail Microelectronics Co., Ltd.	2	Purchase	6,271	No significant difference	0.53%
Princeton Technology (Chengdu) Corp.	Chengdu Chip-Rail Microelectronics Co., Ltd.	2	Rental incomes	776	No significant difference	0.07%
Princeton Technology (Chengdu) Corp.	Chengdu Chip-Rail Microelectronics Co., Ltd.	2	Other incomes	243	No significant difference	0.02%
Princeton Technology (Chengdu) Corp.	Chengdu Chip-Rail Microelectronics Co., Ltd.	2	Other advances	207	No significant difference	0.01%
Princeton Technology (Chengdu) Corp.	Chengdu Chip-Rail Microelectronics Co., Ltd.	2	Refundable deposits	222	No significant difference	0.01%
Princeton Technology (Chengdu) Corp.	Chengdu Chip-Rail Microelectronics Co., Ltd.	2	Accounts receivable	103	No significant difference	0.00%
Princeton Technology (Chengdu) Corp.	Chengdu Chip-Rail Microelectronics Co., Ltd.	2	Accounts payable	244	No significant difference	0.00%
Princeton Technology (Chengdu) Corp.	Princeton Technology (Shenzhen) Ltd.	2	Rental incomes	716	No significant difference	0.06%

Note 1: Transactions are categorized as follows:

1. The holding company to subsidiary.
2. The subsidiary company to subsidiary.

Note 2: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end. For profit or loss items, cumulative balances are used as basis.

Table 5

Name, locations, and other information of investee on which the company exercises significant influence

For the nine months ended September 30, 2021

(Amounts in Thousands of New Taiwan Dollars and Chinese Yuan, unless otherwise specified)

Investor	Investee	Location	Main business and products	Original investment amount		Balance as of September 30, 2021			Net income(loss) of the investee	Equity in net income (net loss)
				Sep 30, 2021	Dec 31, 2020	Shares (in thousand)	Percentage of ownership	Carrying value		
Princeton Technology Corp.	Princeton Silicon LTD	Hong Kong	Holding company	1,009,632	1,009,632	32,000	100.00%	784,560	88,896	88,764
Princeton Technology Corp.	Princeton Capital Corp.	Taiwan	Investment holding	150,000	150,000	15,000	100.00%	180,757	3,906	3,906
Princeton Technology Corp.	Microlink Communications Inc.	Taiwan	Wireless communications products research , manufacture and sales & marketing	80,000	80,000	8,000	25.00%	—	1,955	—
Princeton Technology Corp	Morelink Technology Corporation	Taiwan	Wireless communications products and Electronic components maintenance & sales; Importer of Restricted RF/Telecom device	15,800	15,800	1,580	9.80%	6,978	(26,343)	(2,582)
Princeton Technology Corp	Foresight Energy Technology Co., LTD	Taiwan	Electronic components and battery manufacturing, Electric equipment wholesale, Electronic material wholesale and sales	13,442	13,442	1,344	5.97%	169	(37,234)	(2,223)
Princeton Capital Corp.	Foresight Energy Technology Co., LTD	Taiwan	Electronic components and battery manufacturing, Electric equipment wholesale, Electronic material wholesale and sales	26,145	26,145	2,614	11.62%	329	(37,234)	(4,326)
Princeton Technology (Shenzhen)Ltd.	Chengdu Chip-Rail Microelectronics Co ., Ltd.	China	Computer systems development, IC design, computer hardware and software design and technical services	RMB 16,530	RMB 16,530	6,375	51.00%	RMB 37,450	RMB 17,393	RMB 8,871

Table 6

## Investment in Mainland China

For the nine months ended September 30, 2021

(Amounts in Thousands of New Taiwan Dollars and US Dollars, unless otherwise specified)

Investee	Main business and products	Total amount of paid-in capital	Investment type	Accumulated outflow of investment from Taiwan as of December 31, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2021	Net income of the investee	% Ownership director or indirect investment	Investment gain(loss)	Carrying value as of September 30, 2021	Accumulated inward remittance of earnings as of September 30, 2021
					Outflow	Inflow						
Princeton Technology (Shenzhen) Ltd.	IC sales, design & marketing and software research; the research and development of separators for lithium-ion batteries; communications equipment technical consulting and after-sale service	417,942 (USD13,000)	Indirect: Through Princeton Silicon Inc(a wholly owned subsidiary of Princeton Technology Corp.)	417,942 (USD13,000)	—	—	417,942 (USD13,000)	45,950 USD 1,643	100%	46,021	352,304	—
Princeton Technology (Chengdu) Corp.	IC design and software research, technology transfer, technical consulting, after-sales service; modular design of electronic systems, development and sale; IC sale, import and export, communications equipment research, sales, import and export, technical consulting, after-sale service; lithium-ion batteries research, sales, import and export; own house rental	591,690 (USD19,000)	Indirect: Through Princeton Silicon Inc(a wholly owned subsidiary of Princeton Technology Corp.)	591,690 (USD19,000)	—	—	591,690 (USD19,000)	42,822 USD 1,531	100%	42,875	433,365	—
Accumulated investment in Mainland China as of September 30, 2021		Investment amounts authorized by Investment Commission, MOEA		Upper limit on investment defined by Investment Commission, MOEA(Note1)								
1,009,632(USD 32,000)		1,009,632(USD 32,000)		1,072,293								

Note1: Recognition of the upper limit was based on reviewed financial statement as of September 30, 2021. The limit was NT\$1,072,293 (NT\$1,787,155× 60% = NT\$1,072,293)

Table 7

## Information on major shareholders

For the nine months ended September 30, 2021

Shareholders	Shares	
	Total Shares Owned (In Thousands)	Ownership Percentage
Chiang Tsang An	11,557	6.38%

Note1 :The Table discloses shareholding information of shareholders whose shareholding percentage is more than 5%. The Taiwan Depository & Clearing Corporation (TDCC) calculates the total number of ordinary shares and special shares (including treasury shares) that have completed the dematerialized registration and delivery on the last business day of the quarter. The share capital reported in the Company's consolidated financial statements and the actual number of shares that have completed the dematerialized registration and delivery may be different due to difference in the basis of calculation.