

**Princeton Technology Corp.  
and Subsidiaries  
Consolidated Financial Statements for the  
Nine Months Ended September 30, 2022 and 2021  
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, 2022 and 2021, and the consolidated statements of comprehensive income for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, the consolidated changes in equity and cash flows for the nine-month ended September 30, 2022 and 2021 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, 2022 and 2021, its consolidated financial performance for the three months ended September 30, 2022 and 2021, and its financial performance and its consolidated cash flows for the nine months ended September 30, 2022 and 2021 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.

Chun-Lhih Lin

Chin-Feng Lin

Crowe (TW) CPAs

November 10, 2022

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

(Expressed in Thousand New Taiwan Dollars)

Assets	Note	September 30, 2022(Reviewed)		December 31, 2021(Audited)		September 30, 2021(Reviewed)	
		Amount	%	Amount	%	Amount	%
<b>Current assets</b>							
Cash and cash equivalents	Note 6	\$ 233,172	8	\$ 491,103	20	\$ 507,904	22
Financial assets at fair value through profit or loss	Note 7	320,669	11	212,662	9	300,469	13
Financial assets at amortized cost	Note 9	111,701	4	100,348	4	100,518	5
Notes receivable, net	Note 10	17,642	1	13,868	-	8,308	-
Accounts receivable, net	Note 10	384,723	13	337,731	14	351,398	15
Accounts receivable, net-related parties	Notes 10&31	-	-	-	-	51	-
Other receivables	Notes 10&31	19,134	1	6,342	-	5,874	-
Current tax assets	Note 28	-	-	328	-	2,808	-
Inventories, net	Note 11	665,226	23	321,873	14	271,248	12
Prepayments		12,372	-	13,431	-	27,727	1
Other financial assets	Notes 6&32	2,042	-	2,053	-	2,032	-
<b>Total current assets</b>		<b>1,766,681</b>	<b>61</b>	<b>1,499,739</b>	<b>61</b>	<b>1,578,337</b>	<b>68</b>
<b>Non-current assets</b>							
Financial assets at fair value through profit or loss	Note 7	20,918	1	-	-	-	-
Financial assets at fair value through other comprehensive income	Note 8	8,916	-	9,416	-	7,048	-
Investments accounted for under the equity method	Note 12	4,551	-	11,753	-	7,476	-
Property, plant and equipment	Notes 13&32	440,422	16	418,888	18	428,506	19
Right-of-use assets	Note 14	8,696	-	9,140	-	10,673	-
Investment property	Note 15	281,702	10	249,375	10	251,470	11
Intangible assets	Note 16	4,156	-	4,123	-	4,117	-
Deferred tax assets	Note 28	-	-	15,604	1	15,604	1
Other noncurrent assets	Notes 17&33	332,630	12	243,517	10	23,563	1
<b>Total non-current assets</b>		<b>1,101,991</b>	<b>39</b>	<b>961,816</b>	<b>39</b>	<b>748,457</b>	<b>32</b>
<b>Total assets</b>		<b>\$ 2,868,672</b>	<b>100</b>	<b>\$ 2,461,555</b>	<b>100</b>	<b>\$ 2,326,794</b>	<b>100</b>
<b>Liabilities and stockholders' equity</b>							
<b>Current liabilities</b>							
Contract liability	Note 23	\$ 6,217	-	\$ 6,596	-	\$ 5,862	-
Accounts payable		263,866	9	167,489	7	155,180	7
Other payables	Note 18	105,653	4	83,705	3	75,233	3
Current tax liabilities	Note 28	1,683	-	-	-	-	-
Lease liabilities	Note 14	-	-	1,450	-	2,170	-
Long-term liabilities - current portion	Notes 19&32	-	-	-	-	41,700	2
Other current liabilities		519	-	502	-	700	-
<b>Total current liabilities</b>		<b>377,938</b>	<b>13</b>	<b>259,742</b>	<b>10</b>	<b>280,845</b>	<b>12</b>
<b>Non-current liabilities</b>							
Long-term loans payable	Notes 19&32	95,100	3	82,890	3	83,400	4
Deferred tax liabilities	Note 28	8,415	-	-	-	-	-
Net defined benefit liability	Note 20	22,346	1	23,701	1	28,016	1
Refundable deposits	Note 21	167,977	6	110,334	5	2,893	-
<b>Total non-current liabilities</b>		<b>293,838</b>	<b>10</b>	<b>216,925</b>	<b>9</b>	<b>114,309</b>	<b>5</b>
<b>Total liabilities</b>		<b>671,776</b>	<b>23</b>	<b>476,667</b>	<b>19</b>	<b>395,154</b>	<b>17</b>
<b>Equity attributable to the parent company</b>							
Capital	Note 22	1,809,437	63	1,809,437	73	1,809,437	78
Additional paid-in capital	Note 22	18,995	1	18,995	1	12,234	-
Retained earnings	Note 22						
Legal reserve		94,775	3	306,123	13	306,123	13
Unappropriated earnings (Accumulated losses)		106,222	4	(211,348)	(9)	(250,946)	(11)
<b>Total retained earnings</b>		<b>200,997</b>	<b>7</b>	<b>94,775</b>	<b>4</b>	<b>55,177</b>	<b>2</b>
Other components of equity	Note 22	(10,665)	-	(88,785)	(3)	(89,693)	(4)
<b>Total equity attributable to the parent</b>		<b>2,018,764</b>	<b>71</b>	<b>1,834,422</b>	<b>75</b>	<b>1,787,155</b>	<b>76</b>
Non-controlling interests	Note 22	178,132	6	150,466	6	144,485	7
<b>Total equity</b>		<b>2,196,896</b>	<b>77</b>	<b>1,984,888</b>	<b>81</b>	<b>1,931,640</b>	<b>83</b>
<b>Total liabilities and equity</b>		<b>\$ 2,868,672</b>	<b>100</b>	<b>\$ 2,461,555</b>	<b>100</b>	<b>\$ 2,326,794</b>	<b>100</b>

The accompanying notes are integral part of consolidated financial statements.

(Continued)

**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, 2022 & 2021

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

(Reviewed, Not Audited)

	Note	2022.07.01~2022.09.30		2021.07.01~2021.09.30		2022.01.01~2022.09.30		2021.01.01~2021.09.30	
		Amount	%	Amount	%	Amount	%	Amount	%
Net sales	Notes 23&31	\$ 488,952	100	\$ 436,157	100	\$ 1,410,677	100	\$ 1,184,850	100
Cost of goods sold	Notes 11.20&24	(314,602)	(64)	(262,085)	(60)	(901,168)	(64)	(719,070)	(60)
Gross profit		174,350	36	174,072	40	509,509	36	465,780	40
Operating expenses	Notes 20.24&31								
Marketing		(14,173)	(3)	(17,343)	(4)	(39,174)	(2)	(43,025)	(3)
General and administrative		(40,895)	(8)	(37,997)	(9)	(123,417)	(9)	(114,426)	(10)
Research and development		(86,617)	(18)	(75,673)	(17)	(251,342)	(18)	(221,681)	(19)
Total operating expenses		(141,685)	(29)	(131,013)	(30)	(413,933)	(29)	(379,132)	(32)
Operating income		32,665	7	43,059	10	95,576	7	86,648	8
Non-operating income and expenses									
Interest income	Note 25	876	-	375	-	1,884	-	1,552	-
Other gain and loss	Notes 26&31	14,887	2	(4,243)	(1)	32,230	2	37,383	3
Finance costs	Note 27	(850)	-	(468)	-	(1,660)	-	(1,374)	-
Share of loss of associates and joint ventures	Notes 4&12	(1,764)	-	(1,338)	-	(7,202)	-	(9,131)	(1)
Subtotal		13,149	2	(5,674)	(1)	25,252	2	28,430	2
Income from continuing operations before income tax		45,814	9	37,385	9	120,828	9	115,078	10
Income tax (expense) benefit	Note 28	(5,257)	(1)	8,858	2	(9,507)	(1)	(882)	-
Net income		40,557	8	46,243	11	111,321	8	114,196	10
Other comprehensive income and loss									
Items that will not be reclassified subsequently to profit or loss:									
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	Note 22	(456)	-	949	-	(500)	-	4,486	-
Income tax expense related to items that will not be reclassified subsequently to profit or loss	Note 28	-	-	-	-	-	-	-	-
Subtotal		(456)	-	949	-	(500)	-	4,486	-
Items that may be reclassified subsequently to profit or loss:									
Exchange differences on translation of foreign operations	Note 22	56,172	12	(433)	-	117,418	8	(14,081)	(1)
Income tax expense related to items that may be reclassified subsequently to profit or loss	Notes 22&28	(6,242)	(1)	68	-	(16,231)	(1)	2,282	-
Subtotal		49,930	11	(365)	-	101,187	7	(11,799)	(1)
Total other comprehensive income (loss), net of tax		49,474	11	584	-	100,687	7	(7,313)	(1)
Total comprehensive income		\$ 90,031	19	\$ 46,827	11	\$ 212,008	15	\$ 106,883	9
Net income (loss) attributable to:									
Stockholders of the parent		\$ 41,349	8	\$ 29,262	7	\$ 106,222	8	\$ 77,269	7
Non-controlling interests		(792)	-	16,981	4	5,099	-	36,927	3
		\$ 40,557	8	\$ 46,243	11	\$ 111,321	8	\$ 114,196	10
Comprehensive income attributable to:									
Stockholders of the parent		\$ 79,557	17	\$ 29,937	7	\$ 184,342	13	\$ 72,625	6
Non-controlling interests		10,474	2	16,890	4	27,666	2	34,258	3
		\$ 90,031	19	\$ 46,827	11	\$ 212,008	15	\$ 106,883	9
Earnings per share	Note 29								
Earnings per share-basic		\$ 0.23		\$ 0.16		\$ 0.59		\$ 0.43	
Earnings per share-diluted		\$ 0.23		\$ 0.16		\$ 0.59		\$ 0.43	

**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, 2022 & 2021  
 (Expressed in Thousand New Taiwan Dollars)  
 (Reviewed, Not Audited)

	Equity attributable to the parent											
	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	Non-controlling interests	Total Equity
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>
Balance as of January 1, 2022	\$ 1,809,437	\$ 1,102	\$ 39	\$ 13,262	\$ 4,592	\$ 306,123	\$ (211,348)	\$ (52,925)	\$ (35,860)	\$ 1,834,422	\$ 150,466	\$ 1,984,888
Deficit compensated through legal reserve	-	-	-	-	-	(211,348)	211,348	-	-	-	-	-
Net income for the nine months ended September 30, 2022	-	-	-	-	-	-	106,222	-	-	106,222	5,099	111,321
Other comprehensive income for the nine months ended September 30, 2022	-	-	-	-	-	-	-	78,620	(500)	78,120	22,567	100,687
Total comprehensive income (loss)	-	-	-	-	-	-	106,222	78,620	(500)	184,342	27,666	212,008
Balance as of September 30, 2022	<u>\$ 1,809,437</u>	<u>\$ 1,102</u>	<u>\$ 39</u>	<u>\$ 13,262</u>	<u>\$ 4,592</u>	<u>\$ 94,775</u>	<u>\$ 106,222</u>	<u>\$ 25,695</u>	<u>\$ (36,360)</u>	<u>\$ 2,018,764</u>	<u>\$ 178,132</u>	<u>\$ 2,196,896</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, 2022 & 2021

(Expressed in Thousand New Taiwan Dollars)

(Reviewed, Not Audited)

	<u>2022.01.01~2022.09.30</u>	<u>2021.01.01~2021.09.30</u>
Cash flows from operating activities:		
Net income before tax	\$ 120,828	\$ 115,078
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	36,514	39,640
Amortization expense	103	103
Reversal of expected credit losses on accounts receivable	-	2,795
Net loss (income) of financial instruments at fair value through profit or loss	8,716	(27,237)
Finance costs	1,660	1,374
Interest income	(1,884)	(1,552)
Share of loss of associates and joint ventures	7,202	9,131
Gain on disposal of property, plant and equipment, net	(44)	-
Loss on disposal of investments	-	176
Changes in operating assets and liabilities:		
Decrease (increase) in :		
Mandatorily classified FVTPL	(111,453)	(11,594)
Notes receivable	(3,774)	1,850
Accounts receivable	(46,992)	(99,542)
Accounts receivable-related parties, net	-	(51)
Other receivables	(11,972)	(3,152)
Inventories	(343,353)	(49,917)
Prepayments	1,059	(2,908)
Other financial assets	11	14
Increase (decrease) in :		
Contract liability	(379)	4,722
Accounts payable	96,377	45,737
Other payables	19,698	6,806
Other current liabilities	17	348
Net defined benefit liabilities	(1,355)	(1,138)
Cash (used in) provided by operations	(229,021)	30,683
Interest received	1,064	1,821
Interest paid	(1,513)	(1,670)
Income tax received (paid)	348	(3,437)
Net cash (used in) provided by operating activities	<u>(229,122)</u>	<u>27,397</u>

(Continued)

	<u>2022.01.01~2022.09.30</u>	<u>2021.01.01~2021.09.30</u>
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	20,805
Acquisition of Financial assets at fair value through profit or loss	(21,000)	-
Acquisition of Financial assets at amortized cost	(11,353)	-
Proceeds from financial assets at amortized cost	-	74,482
Acquisition of property, plant and equipment	(25,974)	(44,963)
Proceeds from disposal of property, plant and equipment	44	-
Acquisition of intangible assets	(14)	(13)
Increase in other noncurrent assets	(82,176)	-
Decreases in other noncurrent assets	-	1,874
Net cash (used in) provided by investing activities	<u>(140,473)</u>	<u>52,185</u>
Cash flows from financing activities		
Decrease in long-term loans	-	(2,835)
Increase in refundable deposits	57,643	739
Repayment of the principal portion of lease liabilities	(1,450)	(2,137)
Increase in non-controlling interests	22,567	(2,669)
Net cash provided by (used in) financing activities	<u>78,760</u>	<u>(6,902)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>32,904</u>	<u>1,681</u>
Net (decrease) increase in cash and cash equivalents	(257,931)	74,361
Cash and cash equivalents at beginning of period	<u>491,103</u>	<u>433,543</u>
Cash and cash equivalents at end of period	<u>\$ 233,172</u>	<u>\$ 507,904</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 September 30, 2022 & 2021**  
**(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 10, 2022.

**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).

New standards, interpretations and amendments as endorsed by FSC effective from 2022 are as follows:

<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)

Note1: 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.

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. Amendments to the IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC with effective date starting 2023.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IAS 1 “The disclosure of accounting policies”	January 1, 2023(Note1)
Amendments to IAS 8 “Clarify the definition of accounting estimates”	January 1, 2023(Note2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” <sup>13</sup>	January 1, 2023(Note3)
Note1:The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.	
Note 2:The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.	
Note 3:Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.	
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.	

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
Amendments to IFRS 16 “Leases Liability in a Sale and leaseback”	January 1, 2024
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023 (Note1)
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Note1:The IASB has now tentatively decided to postpone the effective date of this amendment after January 1, 2024.	
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, 2022	December 31, 2021	September 30, 2021
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%
PRINCETON SILICON	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%
PRINCETON SILICON	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: None.

d. Non-wholly owned subsidiaries that have noncontrolling material interests:

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, 2022	December 31, 2021	September 30, 2021
Chengdu Chip-Rail	China	49.00%	49.00%	49.00%

Name of subsidiary	Profit or Loss Distribute to Non-controlling Interest			
	2022.07~2022.09	2021.07~2021.09	2022.01~2022.09	2021.01~2021.09
Chengdu Chip-Rail	\$ (792)	\$ 16,981	\$ 5,099	\$ 36,927

Name of subsidiary	Non-controlling Interest		
	September 30, 2022	December 31, 2021	September 30, 2021
Chengdu Chip-Rail	\$ 178,132	\$ 150,466	\$ 144,485

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

Balance sheets

	September 30, 2022	December 31, 2021	September 30, 2021
Current assets	\$ 385,567	\$ 343,168	\$ 341,405
Non-current assets	10,127	7,089	7,212
Current liabilities	(32,065)	(43,101)	(53,667)
Non-current liabilities	(94)	(82)	(82)
Equity	\$ 363,535	\$ 307,074	\$ 294,868
Equity attributable to :			
Stockholders of the parent	\$ 185,403	\$ 156,608	\$ 150,383
Non-controlling interests	178,132	150,466	144,485
	\$ 363,535	\$ 307,074	\$ 294,868

Statements of comprehensive incomes

	2022.07~2022.09	2021.07~2021.09	2022.01~2022.09	2021.01~2021.09
Net sales	\$ 59,369	\$ 148,233	\$ 221,068	\$ 431,313
Net (loss) profit for the period	\$ (1,617)	\$ 34,656	\$ 10,406	\$ 75,362
Other comprehensive income	22,993	(186)	46,056	(5,448)
Total comprehensive income	\$ 21,376	\$ 34,470	\$ 56,462	\$ 69,914
Net (loss) profit attributable to :				
Stockholders of the parent	\$ (825)	\$ 17,675	\$ 5,307	\$ 38,435
Non-controlling interests	(792)	16,981	5,099	36,927
	\$ (1,617)	\$ 34,656	\$ 10,406	\$ 75,362
Comprehensive income attributable to:				
Stockholders of the parent	\$ 10,902	\$ 17,580	\$ 28,796	\$ 35,656
Non-controlling interests	10,474	16,890	27,666	34,258
	\$ 21,376	\$ 34,470	\$ 56,462	\$ 69,914
Dividends paid to non-controlling interests	\$ —	\$ —	\$ —	\$ —

### Statements of cash flows

	<u>2022.01.01~2022.09.30</u>	<u>2021.01.01~2021.09.30</u>
Net cash provided by (used in) operating activities	\$ 32,969	\$ (17,102)
Net cash (used in) provided by investing activities	<u>(2,928)</u>	<u>14,370</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 30,041</u>	<u>\$ (2,732)</u>

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. Rereasurement, 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. Rereasurement 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 37.

## **6. Cash and cash equivalents**

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand	\$ 470	\$ 339	\$ 464
Checking and savings accounts	199,155	401,398	506,658
Time deposits	33,547	89,366	6,782
	<u>\$ 233,172</u>	<u>\$ 491,103</u>	<u>\$ 507,904</u>

As of September 30, 2022, December 31, 2021 and September 30, 2021, the pledged certificates of bank deposits have been reclassified to other financial assets. Refer to Note 32.

## **7. Financial assets at FVTPL**

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

	September 30, 2022	December 31, 2021	September 30, 2021
<b><u>Financial assets at FVTPL - current</u></b>			
Mandatorily classified financial assets as at FVTPL			
Wealth management products	\$ 296,404	\$ 173,894	\$ 165,303
Listed stocks	24,265	38,768	34,139
Mutual funds	—	—	101,027
	<u>\$ 320,669</u>	<u>\$ 212,662</u>	<u>\$ 300,469</u>

**Financial assets at FVTPL - non-current**

Mandatorily classified financial assets as at FVTPL

Limited partnership	\$ 20,918	\$ —	\$ —
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b. The above financial assets at FVTPL were all not pledged.

**8. Financial assets at FVTOCI**

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

	September 30, 2022	December 31, 2021	September 30, 2021
<b><u>Financial assets at FVTOCI, non-current</u></b>			
Investment in equity instruments			
Listed stocks through private placement	\$ 3,456	\$ 3,986	\$ 1,993
Non-publicly traded stocks	5,460	5,430	5,055
	<u>\$ 8,916</u>	<u>\$ 9,416</u>	<u>\$ 7,048</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, 2022	December 31, 2021	September 30, 2021
Time deposits with original maturity of more than 3 months	\$ 111,701	\$ 100,348	\$ 100,518
Interest rate	1.40% ~ 1.65%	0.25% ~ 1.55%	0.06% ~ 1.55%

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

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

	September 30, 2022	December 31, 2021	September 30, 2021
<b><u>Notes receivable</u></b>			
Notes receivable-operating activities	\$ 17,642	\$ 13,868	\$ 8,308
Notes receivable-non operating activities	—	—	—
Less: allowance for doubtful accounts	—	—	—
	<u>\$ 17,642</u>	<u>\$ 13,868</u>	<u>\$ 8,308</u>
<b><u>Accounts receivable</u></b>			
Accounts receivable	\$ 394,762	\$ 347,539	\$ 361,190
Less: allowance for doubtful accounts	(10,039)	(9,808)	(9,741)
	<u>\$ 384,723</u>	<u>\$ 337,731</u>	<u>\$ 351,449</u>

	September 30, 2022	December 31, 2021	September 30, 2021
<b>Other receivables</b>			
Tax refund receivable	\$ 19,134	\$ 6,342	\$ 5,874
Less: allowance for doubtful accounts	—	—	—
	<u>\$ 19,134</u>	<u>\$ 6,342</u>	<u>\$ 5,874</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, 2022					
	Not Past Due	1 to 60 Days	61 to 90 Days	91 to 180 Days	Over 180 Days	Total
Gross carrying amount	\$ 403,857	\$ —	\$ —	\$ —	\$ 10,039	\$ 413,896
Estimates expected credit loss rate	0%	0%	0%	0%	100%	
Loss allowance (Lifetime ECL)	—	—	—	—	(10,039)	(10,039)
Amortized cost	<u>\$ 403,857</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 403,857</u>
	December 31, 2021					
	Not Past Due	1 to 60 Days	61 to 90 Days	91 to 180 Days	Over 180 Days	Total
Gross carrying amount	\$ 344,073	\$ —	\$ —	\$ —	\$ 9,808	\$ 353,881
Estimates expected credit loss rate	0%	0%	0%	0%	100%	
Loss allowance (Lifetime ECL)	—	—	—	—	(9,808)	(9,808)
Amortized cost	<u>\$ 344,073</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 344,073</u>
	September 30, 2021					
	Not Past Due	1 to 60 Days	61 to 90 Days	91 to 180 Days	Over 180 Days	Total
Gross carrying amount	\$ 357,323	\$ —	\$ —	\$ —	\$ 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>\$ 357,323</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 357,323</u>

**The movements of the allowance for doubtful accounts and other receivables**

	2022.01.01~2022.09.30	2021.01.01~2021.09.30
Balance, beginning of period	\$ 9,808	\$ 7,048
Add: Provision	—	4,631
Less: Reversal	—	(1,836)
Effect of exchange rate changes	231	(102)
Balance, end of period	<u>\$ 10,039</u>	<u>\$ 9,741</u>

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

## 11. Inventories, net

	September 30, 2022	December 31, 2021	September 30, 2021
Merchandises	\$ 17,545	\$ 12,670	\$ 8,927
Finished goods	214,160	150,031	82,275
Work in progress	344,806	113,066	139,635
Raw materials	88,715	46,106	40,411
	<u>\$ 665,226</u>	<u>\$ 321,873</u>	<u>\$ 271,248</u>

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

	2022.07~ 2022.09	2021.07~ 2021.09	2022.01~ 2022.09	2021.01~ 2021.09
Selling cost of inventories	\$ 312,495	\$ 264,570	\$ 887,093	\$ 726,150
Inventory write – downs (Reversal of inventory write – down)	2,152	(2,485)	14,311	(7,141)
Others	(45)	—	(236)	61
	<u>\$ 314,602</u>	<u>\$ 262,085</u>	<u>\$ 901,168</u>	<u>\$ 719,070</u>

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

## 12. Investments accounted for under the equity method

	September 30, 2022	December 31, 2021	September 30, 2021
Investments in associates	<u>\$ 4,551</u>	<u>\$ 11,753</u>	<u>\$ 7,476</u>

Associates consisted of the following:

	September 30, 2022		December 31, 2021		September 30, 2021	
	Carrying value	%	Carrying value	%	Carrying value	%
<u>Common stock</u>						
Morelink Technology Corporation	\$ 4,551	9.80%	\$ 6,621	9.80%	\$ 6,978	9.80%
Foresight Energy Technology Co., Ltd.	—	15.84%	5,132	15.84%	498	17.59%
Microlink Communications Inc.	—	25.00%	—	25.00%	—	25.00%
	<u>\$ 4,551</u>		<u>\$ 11,753</u>		<u>\$ 7,476</u>	

a. As of September 30, 2022, the Company's equity in Foresight Energy Technology Co., Ltd. and Morelink Technology Corporation are 15.84% 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. The stockholders' equity of Foresight Energy Technology Co., Ltd. and 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 Foresight Energy Technology Co., Ltd. and Microlink Communications Inc. were summarized as follows:

	2022.07~ 2022.09	2021.07~ 2021.09	2022.01~ 2022.09	2021.01~ 2021.09
Unrecognized investment loss:				
Current year amount	\$ 465	\$ —	\$ 1,066	\$ —
Accumulatd amount	<u>\$ 465</u>	<u>\$ —</u>	<u>\$ 25,585</u>	<u>\$ 24,258</u>

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

	September 30, 2022	December 31, 2021	September 30, 2021
Total assets	\$ 298,645	\$ 245,204	\$ 232,694
Total liabilities	\$ 363,634	\$ 245,631	\$ 236,107
	2022.07~ 2022.09	2021.07~ 2021.09	2022.01~ 2022.09
Net revenue	\$ 21,002	\$ 25,573	\$ 65,121
Net loss	\$ (22,271)	\$ (10,743)	\$ (61,622)
The Company's share of other comprehensive gain of associates	\$ —	\$ —	\$ —

d. The investment loss for the nine months ended September 30, 2022 and 2021 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, 2022	\$ 133,228	\$ 340,666	\$ 2,181	\$ 12,088	\$ 10,608	\$ 83,201	\$ 581,972
Acquisitions	—	—	—	—	1,890	19,250	21,140
Disposals	—	—	—	(568)	(301)	(20,421)	(21,290)
Exchange effect	—	34,217	—	504	1,001	8,175	43,897
September 30, 2022	\$ 133,228	\$ 374,883	\$ 2,181	\$ 12,024	\$ 13,198	\$ 90,205	\$ 625,719
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	\$ 133,228	\$ 341,929	\$ 2,331	\$ 12,048	\$ 10,479	\$ 86,667	\$ 586,682
Accumulated depreciation :							
January 1, 2022	\$ 6,201	\$ 89,383	\$ 1,161	\$ 8,560	\$ 7,405	\$ 50,374	\$ 163,084
Acquisitions	—	7,774	382	951	764	20,991	30,862
Disposals	—	—	—	(568)	(301)	(20,421)	(21,290)
Exchange effect	—	5,966	—	428	728	5,519	12,641
September 30, 2022	\$ 6,201	\$ 103,123	\$ 1,543	\$ 9,371	\$ 8,596	\$ 56,463	\$ 185,297
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)	(17,480)	(17,886)
Exchange effect	—	(715)	—	(89)	(137)	(687)	(1,628)
September 30, 2021	\$ 6,201	\$ 87,030	\$ 1,178	\$ 8,156	\$ 7,744	\$ 47,867	\$ 158,176

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 32.

## 14. Lease arrangements

### a. Right-of-use assets

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Carrying amounts</u>			
Land	\$ 8,696	\$ 7,712	\$ 8,531
Buildings	—	1,428	2,142
	<u>\$ 8,696</u>	<u>\$ 9,140</u>	<u>\$ 10,673</u>
	<u>Land</u>	<u>Buildings</u>	<u>Subtotal</u>
Cost :			
January 1, 2022	\$ 8,255	\$ 5,713	\$ 13,968
Acquisitions	—	—	—
Disposals and reclassification	—	(5,713)	(5,713)
Exchange effect	1,215	—	1,215
September 30, 2022	<u>\$ 9,470</u>	<u>\$ —</u>	<u>\$ 9,470</u>
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>
Accumulated depreciation :			
January 1, 2022	\$ 543	\$ 4,285	\$ 4,828
Depreciation	141	1,428	1,569
Disposals	—	(5,713)	(5,713)
Exchange effect	90	—	90
September 30, 2022	<u>\$ 774</u>	<u>\$ —</u>	<u>\$ 774</u>
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>

### b. Lease liabilities

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Carrying amounts</u>			
Current	\$ —	\$ 1,450	\$ 2,170
Non-current	—	—	—
	<u>\$ —</u>	<u>\$ 1,450</u>	<u>\$ 2,170</u>

Ranges of discount rate for lease liabilities are as follows:

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

	2022.07~ 2022.09	2021.07~ 2021.09	2022.01~ 2022.09	2021.01~ 2021.09
Expenses relating to low-value asset leases	\$ 1,495	\$ 873	\$ 3,039	\$ 2,247
Total cash outflow for leases	<u>\$ (1,495)</u>	<u>\$ (1,589)</u>	<u>\$ (4,489)</u>	<u>\$ (4,384)</u>

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**

	Buildings	Right-of-use assets	Subtotal
Cost :			
January 1, 2022	\$ 261,745	\$ 5,473	\$ 267,218
Additional	—	—	—
Disposals and reclassification	—	—	—
Exchange effect	38,555	806	39,361
September 30, 2022	<u>\$ 300,300</u>	<u>\$ 6,279</u>	<u>\$ 306,579</u>
January 1, 2021	\$ 269,323	\$ 4,625	\$ 273,948
Additional	—	229	229
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>
Accumulated amortization and impairment :			
January 1, 2022	\$ 17,528	\$ 315	\$ 17,843
Depreciation	3,989	94	4,083
Disposals and reclassification	—	—	—
Exchange effect	2,897	54	2,951
September 30, 2022	<u>\$ 24,414</u>	<u>\$ 463</u>	<u>\$ 24,877</u>
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>

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:

	2022.07~ 2022.09	2021.07~ 2021.09	2022.01~ 2022.09	2021.01~ 2021.09
Rental income from investment property	\$ 3,034	\$ 2,297	\$ 8,766	\$ 5,782
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 567	\$ 442	\$ 1,628	\$ 1,333
Direct operating expenses arising from the investment property that did not generate rental income during the period	\$ 853	\$ 842	\$ 2,455	\$ 2,542

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, 2022	\$ 3,860	\$ 1,570	\$ 5,430
Additional	—	14	14
Disposals and reclassification	—	—	—
Exchange effect	115	51	166
September 30, 2022	<u>\$ 3,975</u>	<u>\$ 1,635</u>	<u>\$ 5,610</u>
January 1, 2021	\$ 3,891	\$ 1,570	\$ 5,461
Additional	—	13	13
Disposals and reclassification	—	—	—
Exchange effect	(64)	(27)	(91)
September 30, 2021	<u>\$ 3,827</u>	<u>\$ 1,556</u>	<u>\$ 5,383</u>
Accumulated amortization and impairment :			
January 1, 2022	\$ —	\$ 1,307	\$ 1,307
Amortization expenses	—	103	103
Disposals and reclassification	—	—	—
Exchange effect	—	44	44
September 30, 2022	<u>\$ —</u>	<u>\$ 1,454</u>	<u>\$ 1,454</u>
January 1, 2021	\$ —	\$ 1,184	\$ 1,184
Amortization expenses	—	103	103
Disposals and reclassification	—	—	—
Exchange effect	—	(21)	(21)
September 30, 2021	<u>\$ —</u>	<u>\$ 1,266</u>	<u>\$ 1,266</u>

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 above and a cash-generating unit to which goodwill has been allocated should be tested for impairment annually.

### **17. Other noncurrent assets**

	September 30, 2022	December 31, 2021	September 30, 2021
Capacity guarantee	\$ 302,627	\$ 220,240	\$ —
Balance prepaid-machinery and equipment	27,844	20,907	21,208
Rental deposit	716	927	912
Others	1,443	1,443	1,443
	<u>\$ 332,630</u>	<u>\$ 243,517</u>	<u>\$ 23,563</u>

In order to ensure steady capacity, the Company entered into some capacity reservation contracts with suppliers and paid for the purchases over the long-term prepayments in order to ensure fulfillment to the contract. The long-term prepayment will be refunded when terms and conditions set forth in the contract have been satisfied.

### **18. Other payables**

	September 30, 2022	December 31, 2021	September 30, 2021
Salaries and wages payable	\$ 59,561	\$ 65,421	\$ 55,238
Employees' compensation and remuneration of directors payable	19,104	—	—
Service payable	2,724	3,289	3,153
Interest payable	655	508	355
Balance payable-machinery and equipment	2,189	86	78
Others	21,420	14,401	16,409
	<u>\$ 105,653</u>	<u>\$ 83,705</u>	<u>\$ 75,233</u>

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

	September 30, 2022	December 31, 2021	September 30, 2021
Secured loans	\$ 95,100	\$ 82,890	\$ 125,100
Less : Current portion	—	—	(41,700)
	<u>\$ 95,100</u>	<u>\$ 82,890</u>	<u>\$ 83,400</u>
Interest rate	<u>1.44% ~ 4.65%</u>	<u>1.38% ~ 1.48%</u>	<u>1.64% ~ 1.93%</u>
Expiration Year	<u>2023</u>	<u>2023</u>	<u>2023</u>

a. The details of assets pledged as collateral for long-term loans are set in Notes 13 and 32.

b. Unused credit line as of September 30, 2022, December 31, 2021 and September 30, 2021, were amounted to NT\$215,100 thousand, NT\$202,890 thousand and NT\$161,700 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\$6,103 thousand and NT\$6,098 thousand, NT\$19,679 thousand and NT\$17,769 thousand in the consolidated statements of comprehensive income or the three months ended

September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021, respectively. The net pension cost under the Labor Pension Act amounted to NT\$1,744 thousand and NT\$1,656 thousand were not paid as of September 30, 2022 and 2021, 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:

	2022.07.01~ 2022.09.30	2021.07.01~ 2021.09.30	2022.01.01~ 2022.09.30	2021.01.01~ 2021.09.30
Cost of goods sold	\$ 4	\$ 5	\$ 10	\$ 13
Marketing expenses	6	13	19	29
General and administrative expenses	28	41	81	105
Research and development expenses	41	34	125	132
	<u>\$ 79</u>	<u>\$ 93</u>	<u>\$ 235</u>	<u>\$ 279</u>

The Company expects to make contributions of NT\$2,157 thousand to the defined benefit plans in the next year starting from September 30, 2022.

**21. Guarantee deposits**

	September 30, 2022	December 31, 2021	September 30, 2021
Capacity guarantee	\$ 164,728	\$ 107,018	\$ —
Others	3,249	3,316	2,893
	<u>\$ 167,977</u>	<u>\$ 110,334</u>	<u>\$ 2,893</u>

Capacity guarantee deposit mainly consisted of cash received under deposit agreements with customers to ensure they have access to the Company's specified capacity. Guarantee deposits will be refunded to customers when terms and conditions set forth in the deposit agreements have been satisfied.

**22. Equity**

**a. Capital**

	September 30, 2022	December 31, 2021	September 30, 2021
Authorized shares (thousand shares)	230,000	230,000	230,000
Authorized	<u>\$ 2,300,000</u>	<u>\$ 2,300,000</u>	<u>\$ 2,300,000</u>
Issued and paid capital shares (thousand shares)	180,943.7	180,943.7	180,943.7
Issued	<u>\$ 1,809,437</u>	<u>\$ 1,809,437</u>	<u>\$ 1,809,437</u>

As of September 30, 2022, December 31, 2021 and September 30, 2021, 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, 2022	December 31, 2021	September 30, 2021
<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	13,262	13,262	6,501
<u>May not be used for any purpose</u>			
Employee stock options	4,592	4,592	4,592
	<u>\$ 18,995</u>	<u>\$ 18,995</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.

On June 16, 2022, the Shareholder's meeting approved to offset accumulated deficit, amounted to NT\$211,348 thousand by using legal reserve.

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>2022.01.01~2022.09.30</u>	<u>2021.01.01~2021.09.30</u>
Balance, beginning of period	\$ (52,925)	\$ (42,336)
Foreign currency translation reserve	94,851	(11,412)
Income tax effect	(16,231)	2,282
Balance, end of period	<u>\$ 25,695</u>	<u>\$ (51,466)</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>2022.01.01~2022.09.30</u>	<u>2021.01.01~2021.09.30</u>
Balance, beginning of period	\$ (35,860)	\$ (44,292)
Changes in unrealized (loss) gain on financial assets at FVTOCI	(500)	4,486
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	—	1,579
Balance, end of period	<u>\$ (36,360)</u>	<u>\$ (38,227)</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>2022.01.01~2022.09.30</u>	<u>2021.01.01~2021.09.30</u>
Balance, beginning of period	\$ 150,466	\$ 110,227
Share of noncontrolling interests:		
Net income	5,099	36,927
Other comprehensive income	22,567	(2,669)
Balance, end of period	<u>\$ 178,132</u>	<u>\$ 144,485</u>

**23. Revenue**

	<u>2022.07~ 2022.09</u>	<u>2021.07~ 2021.09</u>	<u>2022.01~ 2022.09</u>	<u>2021.01~ 2021.09</u>
Revenue from contracts with customers				
Net revenue from sale of goods	\$ 487,904	\$ 434,004	\$ 1,404,762	\$ 1,170,803
Net revenue from rendering of services	1,048	2,153	5,915	14,047
	<u>\$ 488,952</u>	<u>\$ 436,157</u>	<u>\$ 1,410,677</u>	<u>\$ 1,184,850</u>

Relevant information of revenue from contracts with customers for the nine months ended September 30, 2022 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 40. The disaggregation of revenue recognition point is as follows:

	2022.01.01~2022.09.30	2021.01.01~2021.09.30
Revenue recognition point:		
At a point in time	\$ 1,404,762	\$ 1,170,803
Satisfies the performance obligation over time	5,915	14,047
	<u>\$ 1,410,677</u>	<u>\$ 1,184,850</u>

b.Contract balances

	September 30, 2022	December 31, 2021	September 30, 2021
Contract liabilities - current			
Sales of goods	\$ 6,217	\$ 6,596	\$ 5,862

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\$5,315 thousand and NT\$1,091 thousand for the nine months ended September 30, 2022 and 2021, respectively.

c.Transaction price allocated to unsatisfied performance obligations

As of September 30, 2022 and 2021, 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.

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

As of September 30, 2022, December 31, 2021 and September 30, 2021, the Company's employees numbered 314, 313 and 313, respectively.

The Company's net income includes the following items:

	2022.07.01~2022.09.30			2021.07.01~2021.09.30		
	As cost of goods sold	As operating expenses	Total	As cost of goods sold	As operating expenses	Total
Employment expenses						
Salaries	\$ 1,638	\$ 80,009	\$ 81,647	\$ 1,238	\$ 69,633	\$ 70,871
Insurance	149	3,778	3,927	144	3,695	3,839
Pension						
Defined contribution plans	71	6,032	6,103	69	6,029	6,098
Defined benefit plans	4	75	79	5	88	93
Remuneration of directors	—	795	795	—	145	145
Others	112	2,649	2,761	115	2,502	2,617
	<u>\$ 1,974</u>	<u>\$ 93,338</u>	<u>\$ 95,312</u>	<u>\$ 1,571</u>	<u>\$ 82,092</u>	<u>\$ 83,663</u>
Depreciation expenses	<u>\$ 212</u>	<u>\$ 11,720</u>	<u>\$ 11,932</u>	<u>\$ 209</u>	<u>\$ 12,680</u>	<u>\$ 12,889</u>
Amortization expenses	<u>\$ —</u>	<u>\$ 34</u>	<u>\$ 34</u>	<u>\$ —</u>	<u>\$ 34</u>	<u>\$ 34</u>
	2022.01.01~2022.09.30			2021.01.01~2021.09.30		
	As cost of goods sold	As operating expenses	Total	As cost of goods sold	As operating expenses	Total
Employment expenses						
Salaries	\$ 4,727	\$ 231,448	\$ 236,175	\$ 3,794	\$ 197,078	\$ 200,872
Insurance	493	11,759	12,252	466	11,316	11,872
Pension						
Defined contribution plans	214	19,465	19,679	205	17,564	17,769
Defined benefit plans	10	225	235	13	266	279
Remuneration of directors	—	2,112	2,112	—	365	365
Others	386	8,612	8,998	379	7,924	8,303
	<u>\$ 5,830</u>	<u>\$ 273,621</u>	<u>\$ 279,451</u>	<u>\$ 4,857</u>	<u>\$ 234,513</u>	<u>\$ 239,370</u>
Depreciation expenses	<u>\$ 618</u>	<u>\$ 35,896</u>	<u>\$ 36,514</u>	<u>\$ 628</u>	<u>\$ 39,012</u>	<u>\$ 39,640</u>
Amortization expenses	<u>\$ —</u>	<u>\$ 103</u>	<u>\$ 103</u>	<u>\$ —</u>	<u>\$ 103</u>	<u>\$ 103</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.

For the nine months ended September 30, 2022, employees' and compensation to directors was accrued at NT\$19,104 thousand. As of September 30, 2021, the Company didn't accrue any compensation expenses due to the accumulated deficit.

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.

## 25. Other income

	2022.07.01~ 2022.09.30	2021.07.01~ 2021.09.30	2022.01.01~ 2022.09.30	2021.01.01~ 2021.09.30
Interest income				
Bank deposits	\$ 874	\$ 374	\$ 1,880	\$ 1,549
Others	<u>2</u>	<u>1</u>	<u>4</u>	<u>3</u>
	<u>\$ 876</u>	<u>\$ 375</u>	<u>\$ 1,884</u>	<u>\$ 1,552</u>

## 26. Other gains and losses

	2021.07.01~ 2021.09.30	2020.07.01~ 2020.09.30	2021.01.01~ 2021.09.30	2020.01.01~ 2020.09.30
Other gains:				
Net gain on financial instruments at FVTPL	\$ 354	\$ —	\$ —	\$ 27,237
Rent Income	3,033	2,873	9,540	7,360
Gain on disposal of property, plant and equipment, net	—	—	44	—
Net exchange gain	7,504	—	19,153	—
Others	<u>4,115</u>	<u>2,225</u>	<u>12,463</u>	<u>11,018</u>
	<u>15,006</u>	<u>5,098</u>	<u>41,200</u>	<u>45,615</u>
Other losses:				
Net loss on financial instruments at FVTPL	—	(9,073)	(8,716)	—
Loss on disposal of investments, net	—	(38)	—	(176)
Net exchange losses	—	(230)	—	(8,056)
Others	<u>(119)</u>	<u>—</u>	<u>(254)</u>	<u>—</u>
	<u>(119)</u>	<u>(9,341)</u>	<u>(8,970)</u>	<u>(8,232)</u>
	<u>\$ 14,887</u>	<u>\$ (4,243)</u>	<u>\$ 32,230</u>	<u>\$ 37,383</u>

## 27. Finance costs

	<u>2022.07.01~</u> <u>2022.09.30</u>	<u>2021.07.01~</u> <u>2021.09.30</u>	<u>2022.01.01~</u> <u>2022.09.30</u>	<u>2021.01.01~</u> <u>2021.09.30</u>
Interest Expense				
Bank deposits	\$ 850	\$ 454	\$ 1,651	\$ 1,320
Lease liabilities	—	13	9	52
Others	—	1	—	2
	<u>\$ 850</u>	<u>\$ 468</u>	<u>\$ 1,660</u>	<u>\$ 1,374</u>

## 28. Income tax

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

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

	<u>2022.07.01~</u> <u>2022.09.30</u>	<u>2021.07.01~</u> <u>2021.09.30</u>	<u>2022.01.01~</u> <u>2022.09.30</u>	<u>2021.01.01~</u> <u>2021.09.30</u>
Current income tax expense				
Current tax expense recognized for the current period	\$ (475)	\$ (8,374)	\$ 1,598	\$ (1,067)
Deferred income tax expense				
Temporary differences	<u>5,732</u>	<u>(484)</u>	<u>7,909</u>	<u>1,949</u>
Income tax expense (benefit) recorded in profit or loss	<u>\$ 5,257</u>	<u>\$ (8,858)</u>	<u>\$ 9,507</u>	<u>\$ 882</u>

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

	<u>2022.07.01~</u> <u>2022.09.30</u>	<u>2021.07.01~</u> <u>2021.09.30</u>	<u>2022.01.01~</u> <u>2022.09.30</u>	<u>2021.01.01~</u> <u>2021.09.30</u>
Deferred income tax expense				
Foreign currency translation reserve	<u>\$ (6,242)</u>	<u>\$ 68</u>	<u>\$ (16,231)</u>	<u>\$ 2,282</u>

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

	<u>2022.07.01~</u> <u>2022.09.30</u>	<u>2021.07.01~</u> <u>2021.09.30</u>	<u>2022.01.01~</u> <u>2022.09.30</u>	<u>2021.01.01~</u> <u>2021.09.30</u>
Expected income tax expense calculated using the statutory tax date	\$ 8,927	\$ 4,938	\$ 29,402	\$ 37,603
Permanent differences	307	1,602	2,800	(4,998)
Tax adjustments of previous year	(4)	(5,704)	(1,430)	(5,704)
Research and development tax credits	(4,309)	(9,391)	(4,309)	(9,391)
Tax loss carry forward	(2,797)	5,373	(15,370)	1,530
Loss (gain) recognized by equity method	2,081	(4,969)	(2,080)	(16,708)
Gain on decline in value of inventory	1,052	(321)	494	(1,064)
Loss on allowance for doubtful accounts	—	(386)	—	(386)
Income tax expense (benefit) recorded in profit or loss	<u>\$ 5,257</u>	<u>\$ (8,858)</u>	<u>\$ 9,507</u>	<u>\$ 882</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%.

c. Current tax assets and liabilities

	September 30, 2022	December 31, 2021	September 30, 2021
Current tax assets			
Income tax receivable	\$ —	\$ 328	\$ 2,808
Current tax liabilities			
Income tax payable	\$ 1,683	\$ —	\$ —

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

For the nine months ended September 30, 2022	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	\$ 7,373	\$ 273	\$ —	\$ 44	\$ 7,690	
Unrealized intercompany profits	145	(70)	—	—	75	
Unrealized foreign exchange loss	731	(731)	—	—	—	
Foreign currency translation reserve	6,266	—	(6,266)	—	—	
Others	1,161	(1)	—	77	1,237	
Subtotal	15,676	(529)	(6,266)	121	9,002	
Deferred income tax liabilities						
Unrealized foreign exchange gain	—	(7,380)	—	—	(7,380)	
Foreign currency translation reserve	—	—	(9,965)	—	(9,965)	
Unrealized intercompany profits	(72)	—	—	—	(72)	
Subtotal	(72)	(7,380)	(9,965)	—	(17,417)	
	\$ 15,604	\$ (7,909)	\$ (16,231)	\$ 121	\$ (8,415)	
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	15,303	(1,893)	2,282	(32)	15,660	
Deferred income tax liabilities						
Unrealized foreign exchange gain	—	(56)	—	—	(56)	
Subtotal	—	(56)	—	—	(56)	
	\$ 15,303	\$ (1,949)	\$ 2,282	\$ (32)	\$ 15,604	

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, 2022.

Tax loss carry forward were as follows:

	Unused tax loss carry forward	Expiration date
PTC	\$ 216,283	December 31, 2031
Princeton Capital Corp.	29,722	December 31, 2032
Princeton Technology(Chengdu) Corp.	96,578	December 31, 2030
	<u>\$ 342,583</u>	

f. Income tax examination

The tax authorities have examined income tax returns of PTC, and Princeton Capital Corp. through 2019 and 2020, respectively.

**29. Earning per shares**

	2022.07.01~ 2022.09.30	2021.07.01~ 2021.09.30	2022.01.01~ 2022.09.30	2021.01.01~ 2021.09.30
<u>Basic EPS</u>				
Net income attributable to the parent	\$ 41,349	\$ 29,262	\$ 106,222	\$ 77,269
Weighted average number of ordinary shares in issue used in calculating basic EPS	180,944	180,944	180,944	180,944
Basic EPS	<u>\$ 0.23</u>	<u>\$ 0.16</u>	<u>\$ 0.59</u>	<u>\$ 0.43</u>
<u>Diluted EPS</u>				
Net income attributable to the parent	\$ 41,349	\$ 29,262	\$ 106,222	\$ 77,269
Weighted average number of shares outstanding in the current period	180,944	180,944	180,944	180,944
Effect of potentially dilutive potential ordinary shares bonuses issued to employees	230	—	587	—
Net income used to compute the diluted earnings per share	<u>181,174</u>	<u>180,944</u>	<u>181,531</u>	<u>180,944</u>
Diluted EPS	<u>\$ 0.23</u>	<u>\$ 0.16</u>	<u>\$ 0.59</u>	<u>\$ 0.43</u>

**30. Cash flow information**

a. Non-cash transactions:

	For the nine months ended	
	September 30, 2022	September 30, 2021
Additions of property, plant and equipment	\$ 21,140	\$ 23,329
Changes in prepaid to contractors and equipment suppliers	6,937	21,208
Changes in payables to contractors and equipment suppliers	(2,103)	426
Payments for acquisition of property, plant and equipment	<u>\$ 25,974</u>	<u>\$ 44,963</u>

b. Reconciliation of liabilities arising from financing activities:

For the nine months ended	Balance, Beginning of Period	Financing Cash Flow	Non-cash changes		Balance, End of Period
			Other Changes		
September 30, 2022					
Lease liabilities	\$ 1,450	\$ (1,450)	\$ —		\$ —
Long-term loans	82,890	—	12,210		95,100
Guarantee deposits	110,334	57,643	—		167,977
	<u>\$ 194,674</u>	<u>\$ 56,193</u>	<u>\$ 12,210</u>		<u>\$ 263,077</u>
Non-cash changes					
For the nine months ended	Balance, Beginning of Period	Financing Cash Flow	Other Changes		Balance, End of Period
September 30, 2021					
Lease liabilities	\$ 4,307	\$ (2,137)	\$ —		\$ 2,170
Long-term loans	127,935	(2,835)	—		125,100
Guarantee deposits	2,154	739	—		2,893
	<u>\$ 134,396</u>	<u>\$ (4,233)</u>	<u>\$ —</u>		<u>\$ 130,163</u>

### 31. 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

	<u>2022.07.01~ 2022.09.30</u>	<u>2021.07.01~ 2021.09.30</u>	<u>2022.01.01~ 2022.09.30</u>	<u>2021.01.01~ 2021.09.30</u>
Associates	\$ —	\$ 49	\$ 118	\$ 49

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 associates was 60 days.

#### c. Others

	<u>Account</u>	<u>2022.07.01~ 2022.09.30</u>	<u>2021.07.01~ 2021.09.30</u>	<u>2022.01.01~ 2022.09.30</u>	<u>2021.01.01~ 2021.09.30</u>
Associates	Other revenue	\$ 133	\$ 133	\$ 399	\$ 399

#### d. Receivables

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Account receivables			
Associates	\$ —	\$ —	\$ 51
Other receivables			
Associates	\$ 47	\$ 47	\$ 47

#### e. Compensation of key management personnel

	<u>2022.07.01~ 2022.09.30</u>	<u>2021.07.01~ 2021.09.30</u>	<u>2022.01.01~ 2022.09.30</u>	<u>2021.01.01~ 2021.09.30</u>
Short-term employee benefits	\$ 2,622	\$ 1,539	\$ 11,364	\$ 8,338
Retirement benefits	54	54	161	161
	<u>\$ 2,676</u>	<u>\$ 1,593</u>	<u>\$ 11,525</u>	<u>\$ 8,499</u>

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.

### 32. Assets mortgaged or pledged

As of September 30, 2022, December 31, 2021 and September 30, 2021, the following assets had been pledged or mortgaged as collateral:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Land	\$ 116,748	\$ 116,748	\$ 116,748
Buildings	44,788	46,378	43,210
Other financial assets-bank deposits	2,042	2,053	2,032
	<u>\$ 163,578</u>	<u>\$ 165,179</u>	<u>\$ 161,990</u>

### **33. 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, 2022, the amounts of endorsements and guarantees (provided to each entity in the Group) was US\$6,000 thousand.
3. In order to ensure steady capacity, the Company entered into some capacity reservation contracts with suppliers and paid for the purchases over the long-term prepayments in order to ensure fulfillment to the contract. The long-term prepayment will be refunded when terms and conditions set forth in the contract have been satisfied.

**34. Significant loss:** None.

**35. Subsequent events:** None.

### **36. 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.

### **37. Disclosure of financial instruments**

a. Fair values of financial instruments :

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
<u>Financial assets</u>			
FVTPL			
Mandatorily classified financial assets as at FVTPL	\$ 341,587	\$ 212,662	\$ 300,469
FVTOCI			
Equity instruments	8,916	9,416	7,048
Financial assets measured at amortized cost (Note 1)	1,071,757	1,172,612	976,897
	<u>\$ 1,422,260</u>	<u>\$ 1,394,690</u>	<u>\$ 1,284,514</u>
<u>Financial liabilities</u>			
Financial liabilities measured at amortized cost (Note 2)	<u>\$ 632,596</u>	<u>\$ 444,418</u>	<u>\$ 358,406</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, 2022			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Financial products	\$ —	\$ 296,404	\$ —	\$ 296,404
Listed stocks	24,265	—	—	24,265
Limited partnership	—	—	20,918	20,918
	<u>\$ 24,265</u>	<u>\$ 296,404</u>	<u>\$ 20,918</u>	<u>\$ 341,587</u>
<u>Financial assets at FVTOCI</u>				
Listed stocks through private placement	\$ —	\$ —	\$ 3,456	\$ 3,456
Non-publicly traded stocks	—	—	5,460	5,460
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,916</u>	<u>\$ 8,916</u>
December 31, 2021				
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Financial products	\$ —	\$ 173,894	\$ —	\$ 173,894
Listed stocks	38,768	—	—	38,768
	<u>\$ 38,768</u>	<u>\$ 173,894</u>	<u>\$ —</u>	<u>\$ 212,662</u>
<u>Financial assets at FVTOCI</u>				
Listed stocks through private placement	\$ —	\$ —	\$ 3,986	\$ 3,986
Non-publicly traded stocks	—	—	5,430	5,430
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 9,416</u>	<u>\$ 9,416</u>
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>

There were no transfers between Level 1 and 2 For the nine months ended September 30, 2022 and 2021.

(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.
- The fair values of private funds are determined using the asset based approach. The Company assesses that the amount of its net assets attributable to its investment approaches the fair value of the equity investment. The Company assesses the total value of the individual assets and liabilities covered by the target to reflect the overall value of the business.

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

	Financial Assets at FVTPL	Financial Assets at FVTOCI	Subtotal
For the nine months ended September 30, 2022			
Balance, beginning of period	\$ —	\$ 9,416	\$ 9,416
Additional	21,000	—	21,000
Recognized in profit or loss	(82)	—	(82)
Recognized in other comprehensive income	—	(500)	(500)
Balance, end of period	<u>\$ 20,918</u>	<u>\$ 8,916</u>	<u>\$ 29,834</u>
For the nine months ended September 30, 2021			
Balance, beginning of period	\$ —	\$ 23,367	\$ 23,367
Disposals	—	(20,805)	(20,805)
Recognized in profit or loss	—	—	—
Recognized in other comprehensive income	—	4,486	4,486
Balance, end of period	<u>\$ —</u>	<u>\$ 7,048</u>	<u>\$ 7,048</u>

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

As of September 30, 2022:

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	3.00	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\$346thousand
Stock	Assets Approach	Lack of marketability and Price-Book ratio of similar entities	0.81-51.95	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\$546thousand

As of December 31, 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	3.46	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\$399thousand
Stock	Assets Approach	Lack of marketability and Price-Book ratio of similar entities	1.37-68.98	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\$543thousand

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

(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, 2022		December 31, 2021		September 30, 2021	
	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	\$ 21,329	31.70	\$ 20,341	27.63	\$ 17,800	27.80
JPY : TWD	6,222	0.2181	34,902	0.2385	33,260	0.2470
CNY : USD	185,458	0.1411	163,999	0.1572	137,466	0.1549
HKD : TWD	36	4.0140	58	3.5190	264	3.5460
EUR : TWD	2	31.06	502	31.12	506	32.12
<u>Non-monetary items</u>						
CNY : USD	\$ 157,693	0.1517	\$ 159,208	0.1520	\$ 158,634	0.1520
<u>Investments accounted for under the equity method</u>						
USD : TWD	\$ 29,691	31.70	\$ 29,316	27.63	\$ 28,261	27.80
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD : TWD	\$ 15,225	31.80	\$ 10,309	27.73	\$ 8,051	27.90
JPY : TWD	1,180	0.2221	1,208	0.2425	1,237	0.2510
CNY : USD	27,337	0.1411	30,783	0.1572	21,949	0.1549
HKD : TWD	—	4.0740	3	3.5790	—	3.5670

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 for the nine months ended September 30, 2022 and 2021 would have decreased /increased by NT\$9,018 thousand and NT\$7,935 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 0.25% higher/lower, the Company's net income for the nine months ended September 30, 2022 and 2020 would increase/decrease by \$43 thousand and NT\$237 thousand, respectively.

(c)Other price risk

The Company were exposed to equity price risk through their investments in Financial assets at FVTPL.

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 for nine months ended September 30, 2022 and 2021 to increase/decrease by NT\$1,213 thousand and NT\$6,758 thousand..

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 37.

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 affects 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, 2022, December 31, 2021 and September 30, 2021, the Company's ten largest customers accounted for 83%, 80% and 81% 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, 2022				
	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)	\$ 263,866	\$ —	\$ —	\$ —	\$ 263,866
Other payables	105,653	—	—	—	105,653
Long-term loans (including current portion)	—	95,100	—	—	95,100
	<u>\$ 369,519</u>	<u>\$ 95,100</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 464,619</u>

December 31, 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)	\$ 167,489	—	—	—	\$ 167,489
Other payables	83,705	—	—	—	83,705
Lease liabilities	1,450	—	—	—	1,450
Long-term loans (including current portion)	—	82,890	—	—	82,890
	<u>\$ 252,644</u>	<u>\$ 82,890</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 335,534</u>
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>

### **38.Reclassifications**

Certain 2021 accounts have been reclassified to conform to the 2022 financial statement presentation. As a result, no significant impact on the financial statements.

### **39.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 : Table 4 (attached)
- 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 5 (attached)
- k.Names, locations and related information of investees on which the Company exercises significant influence : Table 6 (attached)
- l.Investment in Mainland China : Table 7 (attached)
- m.Information of major shareholder : Table 8 (attached)

#### 40. 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, 2022	September 30, 2021
Integrated circuits (ICs) revenue	\$ 1,404,762	\$ 1,170,803
Design revenue	5,915	14,047
	<u>\$ 1,410,677</u>	<u>\$ 1,184,850</u>

c. Operations in different geographic areas :

Area	2022.01.01~2022.09.30		2021.01.01~2021.09.30	
	Revenue	Noncurrent assests	Revenue	Noncurrent assests
Japan	\$ 628,059	\$ —	\$ 266,360	\$ —
Mainland China(including HK)	649,766	565,821	799,549	513,289
Taiwan	90,475	458,786	74,607	212,516
Korea	15,415	—	7,562	—
Other	26,962	—	36,772	—
	<u>\$ 1,410,677</u>	<u>\$ 1,024,607</u>	<u>\$ 1,184,850</u>	<u>\$ 725,805</u>

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

	2022.01.01~2022.09.30		2021.01.01~2021.09.30	
	Amount	Percentage of net sales	Amount	Percentage of net sales
C16	\$ 356,530	25.28	\$ 111,323	9.39
C6	185,798	13.17	101,833	8.59
C3	180,959	12.83	75,379	6.36
C20	72,432	5.13	131,983	11.13
	<u>\$ 795,719</u>	<u>56.41</u>	<u>\$ 420,518</u>	<u>35.47</u>

Table 1

Financial provided

For the nine months ended September 30, 2022

(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	—	4.85%	Note 2	—	Operating capital	—	—	—	153,788	192,236

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\$ 384,471 thousand× 40% = NT\$153,788 thousand)

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

(NT\$ 384,471 thousand× 50% = NT\$192,236 thousand)

Table 2

Endorsement/guarantee provided

For the nine months ended September 30, 2022

(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.	908,444	USD 6,000	USD 6,000	USD3,000	USD6,000	9.40%	989,194	Y	—	Y

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

(NT\$ 2,018,764 thousand× 45% = NT\$908,444 thousand)

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

(NT\$ 2,018,764 thousand× 49% = NT\$989,194 thousand)

Table 3

Marketable securities held

For the nine months ended September 30, 2022

(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, 2022			
					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	5,460	—	5,460
Princeton Capital Corp.	Common stock	Advanced Microelectronic Products Inc.	—	Financial assets at FVTPL	222	1,790	—	1,790
Princeton Capital Corp.	Common stock	Unifosa Corporation	—	Financial assets at FVTPL	2,566	22,475	—	22,475
Princeton Capital Corp.	Limited partnership	Foryou Private Equity Limited Partnership	—	Financial assets at FVTOCI	—	5,918	—	5,918
Princeton Capital Corp.	Limited partnership	Qingfeng Capital Venture Capital Limited Partnership	—	Financial assets at FVTOCI	—	15,000	—	15,000
Princeton Capital Corp.	Common stock	Advanced Microelectronic Products Inc.	—	Financial assets at FVTOCI	1,152	3,456	—	3,456
Princeton Technology (Shenzhen) Ltd.	Financial products	Fubon bank (China ) co., Ltd Structured deposits Yue Hui Ying	—	Financial assets at FVTPL	31,290	140,735	—	140,375
Princeton Technology (Shenzhen) Ltd.	Financial products	Fubon bank (China ) co., Ltd Structured deposits Yue Hui Ying	—	Financial assets at FVTPL	13,000	58,553	—	58,553
Princeton Technology (Chengdu) Corp.	Financial products	Bank of Communications contains wealth-type structured deposits 7 day	—	Financial assets at FVTPL	2,000	8,947	—	8,947
Chengdu Chip-Rail Microelectronics Co.,Ltd.	Financial products	Bank of Communications contains wealth-type structured deposits 7day	—	Financial assets at FVTPL	9,000	40,263	—	40,263
Chengdu Chip-Rail Microelectronics Co.,Ltd.	Financial products	Bank of Communications Yuntong Wealth Term Structured Deposit for 21days	—	Financial assets at FVTPL	2,000	8,947	—	8,947
Chengdu Chip-Rail Microelectronics Co.,Ltd.	Financial products	Bank of Communications Yuntong Wealth Term Structured Deposit for 22 days	—	Financial assets at FVTPL	2,000	8,950	—	8,950

Table 4

Total purchase from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital

For nine months ended September 30, 2022

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

Related Party	Nature of relationship	Transaction Details				Abnormal transaction		Notes/accounts payable or receivable		Note	
		Purchase /sale	Amount	% to Total	Payment term	Unit price	Payment terms	Ending balance			
									% to Total		
Princeton Technology (Chengdu) Corp.	Equity-method investee of Princeton Silicon Inc.	Sales	299,184	21.21%	OA60days	—	—	Accounts receivable	91,464	22.18%	

Table 5

Significant intercompany transactions between consolidated entities

For the nine months ended September 30, 2022

(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	299,184	No significant difference	21.21%
Princeton Technology Corp.	Princeton Technology (Chengdu) Corp.	1	Purchase	30,367	No significant difference	2.15%
Princeton Technology Corp.	Princeton Technology (Chengdu) Corp.	1	Manufacturing expenses	10,040	No significant difference	0.71%
Princeton Technology Corp.	Princeton Technology (Shenzhen) Ltd.	1	Accounts receivable	91,464	No significant difference	3.19%
Princeton Technology Corp.	Princeton Technology (Shenzhen) Ltd.	1	Accounts payable	8,352	No significant difference	0.29%
Princeton Technology (Shenzhen) Ltd.	Princeton Technology (Chengdu) Corp.	2	Service incomes	16,811	No significant difference	1.19%
Princeton Technology (Shenzhen) Ltd.	Princeton Technology (Chengdu) Corp.	2	Accounts receivable	1,623	No significant difference	0.06%
Princeton Technology (Chengdu) Corp.	Chengdu Chip-Rail Microelectronics Co., Ltd.	2	Sales	5,217	No significant difference	0.37%
Princeton Technology (Chengdu) Corp.	Chengdu Chip-Rail Microelectronics Co., Ltd.	2	Purchase	141	No significant difference	0.01%
Princeton Technology (Chengdu) Corp.	Chengdu Chip-Rail Microelectronics Co., Ltd.	2	Accounts receivable	215	No significant difference	0.01%
Princeton Technology (Chengdu) Corp.	Chengdu Chip-Rail Microelectronics Co., Ltd.	2	Rental incomes	951	No significant difference	0.07%
Princeton Technology (Chengdu) Corp.	Chengdu Chip-Rail Microelectronics Co., Ltd.	2	Other incomes	295	No significant difference	0.02%
Princeton Technology (Chengdu) Corp.	Chengdu Chip-Rail Microelectronics Co., Ltd.	2	Other advances	274	No significant difference	0.01%
Princeton Technology (Chengdu) Corp.	Chengdu Chip-Rail Microelectronics Co., Ltd.	2	Refundable deposits	235	No significant difference	0.01%
Princeton Technology (Chengdu) Corp.	Chengdu Chip-Rail Microelectronics Co., Ltd.	2	Other receivable	5	No significant difference	0.00%
Princeton Technology (Chengdu) Corp.	Princeton Technology (Shenzhen) Ltd.	2	Rental incomes	733	No significant difference	0.05%

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 6

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

For the nine months ended September 30, 2022

(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, 2022			Net income(loss) of the investee	Equity in net income (net loss)
				Sep 30, 2022	Dec 31, 2021	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%	939,185	36,392	35,604
Princeton Technology Corp.	Princeton Capital Corp.	Taiwan	Investment holding	150,000	150,000	15,000	100.00%	165,587	(17,999)	(17,999)
Princeton Technology Corp.	Microlink Communications Inc.	Taiwan	Wireless communications products research , manufacture and sales & marketing	80,000	80,000	8,000	25.00%	—	(2,405)	—
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%	4,551	(21,122)	(2,070)
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	5.38%	—	(41,036)	(1,743)
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	10.46%	—	(41,036)	(3,389)
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 40,274	RMB 2,344	RMB 1,196

Table 7

## Investment in Mainland China

For the nine months ended September 30, 2022

(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, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2022	Net income of the investee	% Ownership director or indirect investment	Investment gain(loss)	Carrying value as of September 30, 2022	Accumulated inward remittance of earnings as of September 30, 2022
					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)	(7,089) (USD (241))	100%	(7,004)	384,471	—
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)	43,396 (USD 1,477)	100%	43,396	556,745	—
Accumulated investment in Mainland China as of September 30, 2022		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)		1,211,258								

Note1: Recognition of the upper limit was based on reviewed financial statement as of September 30, 2022. The limit was NT\$1,211,258 thousand.  
(NT\$2,018,764 thousand× 60% = NT\$1,211,258 thousand)

Table 8

## Information on major shareholders

For the nine months ended September 30, 2022

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.