

**Princeton Technology Corp.**  
**Parent Company Only Financial Statements for the**  
**Years Ended December 31, 2022 and 2021**  
**Together with Independent Auditors' Report**

## **Independent Auditors' Report**

The Board of Directors and Stockholders  
Princeton Technology Corp.

### **Opinion**

We have audited the accompanying parent company only financial statements of Princeton Technology Corp. (the Company), which comprise the parent company only balance sheets as of December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2022 are stated as follows:

#### Allowance for Inventory Valuation and Obsolescence Losses

The Company's inventories consist of wafers and integrated circuits. Due to the rapid technological changes and volatile market, the estimate of the realizable value of inventories and the identification of slow-moving inventories require significant management judgment. We believe that the allowance for inventory valuation and obsolescence losses is a Key Audit Matter item. Refer to Notes 5&11.

Our Key audit procedures performed in respect of the above included the following:

1. Assessed the adequacy of inventory valuation policy adopted by the management.
2. Obtained the valuation report of inventories prepared by the management ; Selected samples to examine whether inventories are stated at the lower of cost or net realizable value and assessed the reasonableness of the management's assumption.
3. Obtained, tested and inspected the inventory aging report prepared by the management ; Observed physical inventory-taking to evaluate whether the allowance of inventories obsolescence losses was appropriate.

### **Other Matter**

As shown in the accompanying parent company only financial statements, the Company had long-term investment in Microlink Communications Inc. accounted for under equity method based on financial

statements as of December 31, 2022 and 2021, which were audited by the other auditor. Our audit, insofar as it related to the investment accounted for under the equity method balances both to NT\$0 as of December 31, 2022 and 2021, the related share of the investment loss from the associates and joint ventures both amounted to NT\$0 for the years ended December 31, 2022 and 2021, is based solely on the report of the other independent accountant.

### **Responsibilities of Management and Those Charged with Governance for the Parent company only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Parent company only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

WU MENG TA

PAN JIN SHU

Crowe (TW) CPAs

March 1, 2023

Notice to Readers

The accompanying parent company only financial statements are intended only to present the parent company only financial position, results of operations 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 audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying parent company only 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' report and parent company only financial statements shall prevail.

**English Translation of Parent Company Only Financial Statements Originally Issued in Chinese**

Princeton Technology Corp.  
Parent Company Only Balance Sheets  
December 31, 2022 and 2021  
(Expressed in Thousand New Taiwan Dollars)

Assets	Note	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
<b>Current assets</b>					
Cash and cash equivalents	Note 6	\$ 28,448	1	\$ 193,045	9
Financial assets at fair value through profit or loss	Note 7	30,009	1	30,009	2
Financial assets at amortized cost	Note 9	45,990	2	69,944	3
Notes receivable, net	Note 10	72	-	12,005	1
Accounts receivable, net	Note 10	225,864	10	135,101	6
Accounts receivable, net- related parties	Notes 10&28	39,510	2	54,025	3
Other receivables	Notes 10&28	10,401	-	5,039	-
Current tax assets	Note 25	372	-	533	-
Inventories, net	Note 11	476,522	20	148,822	7
Prepayments		8,964	-	5,087	-
Other financial assets	Notes 6&29	2,065	-	2,053	-
Total current assets		<u>868,217</u>	<u>36</u>	<u>655,663</u>	<u>31</u>
<b>Non-current assets</b>					
Financial assets at fair value through other comprehensive income	Note 8	4,575	-	5,430	-
Investments accounted for under the equity method	Note 12	1,084,358	45	1,009,707	48
Property, plant and equipment	Notes 13&29	198,059	8	195,690	9
Right-of-use assets	Note 14	-	-	1,428	-
Deferred tax assets	Note 25	-	-	13,183	1
Other noncurrent assets	Notes 15&30	252,116	11	222,306	11
Total non-current assets		<u>1,539,108</u>	<u>64</u>	<u>1,447,744</u>	<u>69</u>
Total assets		<u>\$ 2,407,325</u>	<u>100</u>	<u>\$ 2,103,407</u>	<u>100</u>
<b>Liabilities and stockholders' equity</b>					
<b>Current liabilities</b>					
Contract liability	Note 21	\$ 1,201	-	\$ 3,107	-
Accounts payable		133,154	6	127,239	6
Accounts payable - related parties	Note 28	4,150	-	5,716	-
Other payables	Note 17	88,826	4	51,754	3
Lease liabilities	Note 14	-	-	1,450	-
Other current liabilities		76	-	158	-
Total current liabilities		<u>227,407</u>	<u>10</u>	<u>189,424</u>	<u>9</u>
<b>Non-current liabilities</b>					
Deferred tax liabilities		1,127	-	-	-
Net defined benefit liability	Note 18	15,556	1	23,701	1
Refundable deposits	Note 19	102,124	4	55,860	3
Total non-current liabilities		<u>118,807</u>	<u>5</u>	<u>79,561</u>	<u>4</u>
Total liabilities		<u>346,214</u>	<u>15</u>	<u>268,985</u>	<u>13</u>
<b>Equity attributable to the parent company</b>					
Capital	Note 20	1,809,437	75	1,809,437	86
Additional paid-in capital	Note 20	21,144	1	18,995	1
Retained earnings	Note 20				
Legal reserve		94,775	4	306,123	14
Accumulated losses		172,948	7	(211,348)	(10)
Total retained earnings		<u>267,723</u>	<u>11</u>	<u>94,775</u>	<u>4</u>
Other components of equity	Note 20	(37,193)	(2)	(88,785)	(4)
Total equity		<u>2,061,111</u>	<u>85</u>	<u>1,834,422</u>	<u>87</u>
Total liabilities and equity		<u>\$ 2,407,325</u>	<u>100</u>	<u>\$ 2,103,407</u>	<u>100</u>

The accompanying notes are integral part of parent company only financial statements.

**English Translation of Parent Company Only Financial Statements Originally Issued in Chinese**

Princeton Technology Corp.

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2022 & 2021

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

	Note	2022		2021	
		Amount	%	Amount	%
Net sales	Notes 21&28	\$ 1,496,585	100	\$ 865,884	100
Cost of goods sold	Notes 11.18&22	(1,024,043)	(68)	(569,270)	(66)
Gross profit		472,542	32	296,614	34
Unrealized profit from sales		(258)	-	(725)	-
Realized profit from sales		725	-	911	-
Gross profit from operations		473,009	32	296,800	34
Operating expenses	Notes 18.22&28				
Marketing		(24,119)	(2)	(18,551)	(2)
General and administrative		(101,783)	(7)	(87,304)	(10)
Research and development		(242,291)	(16)	(202,805)	(23)
Total operating expenses		(368,193)	(25)	(308,660)	(35)
Operating gain		104,816	7	(11,860)	(1)
Non-operating income and expenses					
Interest income	Note 23	1,554	-	412	-
Other gain and loss	Notes 24&28	46,143	3	8,765	1
Finance costs		(10)	-	(64)	-
Share of profits of associates and joint ventures	Notes 4&12	17,833	1	118,833	13
Subtotal		65,520	4	127,946	14
Income from continuing operations before income tax		170,336	11	116,086	13
Income tax expense	Note 25	(2,445)	-	(2,271)	-
Net income		167,891	11	113,815	13
Other comprehensive income and loss					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	Note 18	6,321	-	3,815	-
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	Note 20	(855)	-	765	-
Share of other comprehensive (loss) gain of subsidiaries and associates		(360)	-	6,088	1
Income tax expense related to items that will not be reclassified subsequently to profit or loss	Note 25	(1,264)	-	(763)	-
Subtotal		3,842	-	9,905	1
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations	Note 20	63,408	4	(13,236)	(1)
Income tax benefit related to items that may be reclassified subsequently to profit or loss	Notes 20&25	(10,601)	-	2,647	-
Subtotal		52,807	4	(10,589)	(1)
Total other comprehensive income or (loss), net of tax		56,649	4	(684)	-
Total comprehensive income		\$ 224,540	15	\$ 113,131	13
Earnings per share	Note 26				
Basic earnings per share		\$ 0.93		\$ 0.63	
Diluted earnings per share		\$ 0.92		\$ 0.63	

The accompanying notes are integral part of parent company only financial statements.

**English Translation of Parent Company Only Financial Statements Originally Issued in Chinese**

Princeton Technology Corp.

Parent Company Only Statements of Changes in Equity

For the years ended December 31, 2022 & 2021

(Expressed in Thousand New Taiwan Dollars)

	Equity attributable to the parent									
	Additional pain-in capital			Retained earnings		Other components of equity			Total 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
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
Adjustments to share of changes in equities of associates and joint venture	-	-	-	6,761	-	-	-	-	-	6,761
Net income for the year ended December 31, 2021	-	-	-	-	-	-	113,815	-	-	113,815
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	-	-	3,052	(10,589)	765	(6,772)
Total comprehensive income (loss)	-	-	-	-	-	-	116,867	(10,589)	765	107,043
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	(1,579)	-	7,667	6,088
Balance as of December 31, 2021	1,809,437	1,102	39	13,262	4,592	306,123	(211,348)	(52,925)	(35,860)	1,834,422
Deficit compensated through legal reserve	-	-	-	-	-	(211,348)	211,348	-	-	-
Adjustments to share of changes in equities of associates and joint venture	-	-	-	2,149	-	-	-	-	-	2,149
Net income for the year ended December 31, 2022	-	-	-	-	-	-	167,891	-	-	167,891
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	-	-	5,057	52,807	(855)	57,009
Total comprehensive income (loss)	-	-	-	-	-	-	172,948	52,807	(855)	224,900
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	(360)	(360)
Balance as of December 31, 2022	\$ 1,809,437	\$ 1,102	\$ 39	\$ 15,411	\$ 4,592	\$ 94,775	\$ 172,948	\$ (118)	\$ (37,075)	\$ 2,061,111

The accompanying notes are integral part of parent company only financial statements.

**English Translation of Parent Company Only Financial Statements Originally Issued in Chinese**

Princeton Technology Corp.

Parent Company Only Statements of Cash Flows

For the years ended December 31, 2022 & 2021

(Expressed in Thousand New Taiwan Dollars)

	2022	2021
Cash flows from operating activities:		
Net income before tax	\$ 170,336	\$ 116,086
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	23,628	24,864
Expected credit impairment losses	-	223
Net gain of financial assets at fair value through profit or loss	(825)	(17,613)
Finance costs	10	64
Interest income	(1,554)	(412)
Share of profits of associates and joint ventures	(17,833)	(118,833)
Loss on disposal of investments	-	176
Unrealized profit from sales	258	725
Realized profit from sales	(725)	(911)
Changes in operating assets and liabilities:		
Decrease (increase) in :		
Mandatorily classified FVTPL	825	40,592
Notes receivable	11,933	(8,798)
Accounts receivable	(90,763)	(64,448)
Accounts receivable- related parties	14,515	(16,832)
Other receivables	(4,908)	(2,486)
Inventories	(327,700)	(36,828)
Prepayments	(3,877)	(1,408)
Other financial asset	(12)	(7)
Increase (decrease) in :		
Contract liability	(1,906)	2,418
Accounts payable	5,915	65,962
Accounts payable- related parties	(1,566)	2,495
Other payables	37,072	6,849
Other current liabilities	(82)	(25)
Net defined benefit liabilities	(1,824)	(1,638)
Cash used in operations	(189,083)	(9,785)
Interest received	1,100	492
Interest paid	(10)	(64)
Income tax received	161	617
Net cash used in operating activities	(187,832)	(8,740)

(Continued)

	<u>2022</u>	<u>2021</u>
Cash flows from investing activities:		
Proceeds from Financial assets at amortized cost	23,954	61,274
Acquisition of property, plant and equipment	(30,227)	(21,749)
Increase in other noncurrent assets	(24,152)	(220,241)
Dividend received	8,846	7,132
Net cash used in investing activities	<u>(21,579)</u>	<u>(173,584)</u>
Cash flows from financing activities		
Increase in guarantee deposits received	46,264	55,620
Repayment of the principal portion of lease liabilities	(1,450)	(2,857)
Net cash provided by financing activities	<u>44,814</u>	<u>52,763</u>
Net decrease in cash and cash equivalents	(164,597)	(129,561)
Cash and cash equivalents at beginning of period	<u>193,045</u>	<u>322,606</u>
Cash and cash equivalents at end of period	<u>\$ 28,448</u>	<u>\$ 193,045</u>

(Concluded)

The accompanying notes are integral part of parent company only financial statements.

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

**Princeton Technology Corp.**

**Notes to Parent Company Only Financial Statements**

**For the years ended December 31, 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 approved and authorized for issue by the Board of Directors on March 1, 2023

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

a. Initial application of the amendments to the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations (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.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
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”	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 parent company only 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.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
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, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

As of the date the accompanying parent company only 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 accompanying parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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

The parent company only 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.

When preparing the parent company only financial statements, the Company account for subsidiaries and associates by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, there are no differences of the accounting treatment between the parent company only basis and the consolidated basis.

### **Foreign Currencies**

In preparing the parent company only financial statements, 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 parent company only 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).

On the disposal of a foreign operation or a partial disposal of a subsidiary that includes a foreign operation that result in a loss of significant influence or joint control, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

### **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 /and include the original recognition amount of financial assets and financial liabilities.

## **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 Using Equity Method**

Investments accounted for using the equity method include investments in subsidiaries and associates.

#### Investment in subsidiaries

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company continues recognizing its share of further losses.

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. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously 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 is regarded as the cost on initial recognition of an investment in an associate.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

### Investment in associates

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 parent company only financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the parent company only 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.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that 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 new shares of an associate 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 - changes in capital surplus from investments in associates accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that 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. 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 attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the parent company only financial statements only to the extent that interests in the associate are not related to the Company.

## **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 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 parent company only 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.

### **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.

### **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.

Income tax on unappropriated earnings 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 parent company only 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 company only 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 34.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 302	\$ 261
Checking and savings accounts	<u>28,146</u>	<u>192,784</u>
	<u>\$ 28,448</u>	<u>\$ 193,045</u>

As of December 31, 2022 and 2021, the pledged certificates of bank deposits have been reclassified to other financial assets. Refer to Note 29.

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b><u>Financial assets at FVTPL - current</u></b>		
Mandatorily classified financial assets as at FVTPL		
Wealth management products	<u>\$ 30,009</u>	<u>\$ 30,009</u>

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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b><u>Financial assets at FVTOCI, non-current</u></b>		
Investment in equity instruments		
Non-publicly traded stocks	<u>\$ 4,575</u>	<u>\$ 5,430</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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Time deposits with original maturity of more than 3 months	<u>\$ 45,990</u>	<u>\$ 69,944</u>
Interest rate	<u>2.45%</u>	<u>0.25%</u>

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b><u>Notes receivable</u></b>		
Notes receivable-operating activities	\$ 72	\$ 12,005
Notes receivable-non operating activities	—	—
Less: allowance for doubtful accounts	—	—
	<u>\$ 72</u>	<u>\$ 12,005</u>
<b><u>Accounts receivable</u></b>		
Accounts receivable	\$ 267,433	\$ 191,185
Less: allowance for doubtful accounts	(2,059)	(2,059)
	<u>\$ 265,374</u>	<u>\$ 189,126</u>
<b><u>Other receivables</u></b>		
Tax refund receivable	\$ 10,401	\$ 5,039
Less: allowance for doubtful accounts	—	—
	<u>\$ 10,401</u>	<u>\$ 5,039</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.

	<u>December 31, 2022</u>					
	<u>Not Past Due</u>	<u>1 to 60 Days</u>	<u>61 to 90 Days</u>	<u>91 to 180 Days</u>	<u>Over 180 Days</u>	<u>Total</u>
Gross carrying amount	\$ 275,775	\$ —	\$ —	\$ —	\$ 2,059	\$ 277,834
Estimates expected credit loss rate	0%	0%	0%	0%	100%	
Loss allowance (Lifetime ECL)	—	—	—	—	(2,059)	(2,059)
Amortized cost	<u>\$ 275,775</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 275,775</u>
	<u>December 31, 2021</u>					
	<u>Not Past Due</u>	<u>1 to 60 Days</u>	<u>61 to 90 Days</u>	<u>91 to 180 Days</u>	<u>Over 180 Days</u>	<u>Total</u>
Gross carrying amount	\$ 194,165	\$ —	\$ —	\$ —	\$ 2,059	\$ 196,224
Estimates expected credit loss rate	0%	0%	0%	0%	100%	
Loss allowance (Lifetime ECL)	—	—	—	—	(2,059)	(2,059)
Amortized cost	<u>\$ 194,165</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 194,165</u>

The movements of the allowance for doubtful accounts and other receivables

	<u>December 31,2022</u>	<u>December 31,2021</u>
Balance, beginning of year	\$ 2,059	\$ 1,836
Add: Provision	—	2,059
Less: Reversal	—	(1,836)
Effect of exchange rate changes	—	—
Balance, end of year	<u>\$ 2,059</u>	<u>\$ 2,059</u>

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

### **11.Inventories, net**

	<u>December 31,2022</u>	<u>December 31,2021</u>
Merchandises	\$ 4,125	\$ 5,350
Finished goods	155,560	69,740
Work in progress	233,287	66,538
Raw materials	83,550	7,194
	<u>\$ 476,522</u>	<u>\$ 148,822</u>

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

	<u>2022</u>	<u>2021</u>
Selling cost of inventories	\$ 1,009,898	\$ 572,351
Loss (gain) on decline in value of inventory	14,508	(2,981)
Others	(363)	(100)
	<u>\$ 1,024,043</u>	<u>\$ 569,270</u>

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

### **12.Investments accounted for under the equity method**

	<u>December 31,2022</u>	<u>December 31,2021</u>
Investment in subsidiaries	\$ 1,077,713	\$ 1,001,343
Investments in associates	6,645	8,364
	<u>\$ 1,084,358</u>	<u>\$ 1,009,707</u>

a.Investment in subsidiaries

<u>Name of Subsidiaries</u>	<u>December 31,2022</u>		<u>December 31,2021</u>	
	<u>Carrying value</u>	<u>%</u>	<u>Carrying value</u>	<u>%</u>
Princeton Silicon Ltd.	\$ 913,942	100.00%	\$ 808,380	100.00%
Princeton Capital Corp.	163,771	100.00%	192,963	100.00%
	<u>\$ 1,077,713</u>		<u>\$ 1,001,343</u>	

Refer to the consolidated financial statements as of December 31, 2022, for the details of the subsidiaries of the Company.

b.Investments in associates

<u>Name of Associate</u>	<u>December 31,2022</u>		<u>December 31,2021</u>	
	<u>Carrying value</u>	<u>%</u>	<u>Carrying value</u>	<u>%</u>
Morelink Technology Corporation	\$ 6,645	7.93%	\$ 6,621	9.80%
Foresight Energy Technology Co., Ltd.	—	5.38%	1,743	5.38%
Microlink Communications Inc.	—	25.00%	—	25.00%
	<u>\$ 6,645</u>		<u>\$ 8,364</u>	

(a)As of December 31, 2022, the Company's equity in Foresight Energy Technology Co., Ltd. and Morelink Technology Corporation were 15.84% and 7.93%, 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	2021
Unrecognized investment loss:		
Current year amount	\$ 2,442	\$ —
Accumulatd amount	\$ 26,961	\$ 24,519

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

	December 31,2022	December 31,2021
Total assets	\$ 262,209	\$ 245,204
Total liabilities	\$ 303,418	\$ 245,631
	2022	2021
Net revenue	\$ 140,374	\$ 82,824
Net loss	\$ (78,781)	\$ (79,239)
The Company's share of other comprehensive income of associates	\$ —	\$ —

(d)The investment loss for the years ended December 31, 2022 and 2021 were based on the investees' financial statements audited by the auditors for the same years.

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

### **13.Property, plant and equipment**

	Land	Buildings	Machinery and equipment	Transportation equipment	Furniture	Other equipment	Subtotal
Cost :							
January 1,2022	\$ 133,228	\$ 108,374	\$ 2,181	\$ 3,805	\$ 728	\$ 19,899	\$ 268,215
Addition	—	—	—	—	1,932	22,637	24,559
Disposals	—	—	(290)	—	(191)	(18,261)	(18,742)
December 31,2022	\$ 133,228	\$ 108,374	\$ 1,891	\$ 3,805	\$ 2,469	\$ 24,275	\$ 274,042
January 1,2021	\$ 133,228	\$ 104,623	\$ 2,331	\$ 3,805	\$ 292	\$ 24,459	\$ 268,738
Addition	—	3,751	—	—	436	17,562	21,749
Disposals	—	—	(150)	—	—	(22,122)	(22,272)
December 31,2021	\$ 133,228	\$ 108,374	\$ 2,181	\$ 3,805	\$ 728	\$ 19,899	\$ 268,215
Accumulated depreciation :							
January 1,2022	\$ 6,201	\$ 51,895	\$ 1,161	\$ 3,065	\$ 292	\$ 9,911	\$ 72,525
Addition	—	2,663	500	370	281	18,386	22,200
Disposals	—	—	(290)	—	(191)	(18,261)	(18,742)
December 31,2022	\$ 6,201	\$ 54,558	\$ 1,371	\$ 3,435	\$ 382	\$ 10,036	\$ 75,983
January 1,2021	\$ 6,201	\$ 49,434	\$ 768	\$ 2,431	\$ 203	\$ 13,753	\$ 72,790
Addition	—	2,461	543	634	89	18,280	22,007
Disposals	—	—	(150)	—	—	(22,122)	(22,272)
December 31,2021	\$ 6,201	\$ 51,895	\$ 1,161	\$ 3,065	\$ 292	\$ 9,911	\$ 72,525

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

Buildings	10~55 years
Machinery and equipment	3 years
Transportation equipment	5 years
Furniture	2~3 years
Other equipment	1~3 years

b. All the property, plant and equipment were pledged . Refer to Notes 28, 29 and 30.

#### **14. Lease arrangements**

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Carrying amounts</u>		
Buildings	\$ —	\$ 1,428
		<u>Buildings</u>
Cost :		
January 1, 2022		\$ 5,713
Addition		—
Disposals and reclassification		(5,713)
December 31, 2022		<u>\$ —</u>
January 1, 2021		\$ 5,713
Addition		—
Disposals and reclassification		—
December 31, 2021		<u>\$ 5,713</u>
Accumulated depreciation :		
January 1, 2022		\$ 4,285
Addition		1,428
Disposals		(5,713)
December 31, 2022		<u>\$ —</u>
January 1, 2021		\$ 1,428
Addition		2,857
Disposals		—
December 31, 2021		<u>\$ 4,285</u>

##### **b. Lease liabilities**

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

Ranges of discount rate for lease liabilities are as follows:

	<u>December 31,2022</u>	<u>December 31,2021</u>
Buildings	<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 3 years. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

**d.Other lease information**

	<u>December 31,2022</u>	<u>December 31,2021</u>
Expenses relating to low-value asset leases	<u>\$ 2,755</u>	<u>\$ 1,192</u>
Total cash outflow for leases	<u>\$ (4,205)</u>	<u>\$ (4,049)</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.Other noncurrent assets**

	<u>December 31,2022</u>	<u>December 31,2021</u>
Capacity guarantee	\$ 244,392	\$ 220,240
Balance prepaid-machinery and equipment	5,658	—
Rental deposit	623	623
Others	<u>1,443</u>	<u>1,443</u>
	<u>\$ 252,116</u>	<u>\$ 222,306</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.

**16.Short-term loans**

a. There were no short-term liabilities as of December 31, 2022 and 2021.

b. Unused credit line as of December 31, 2022 and 2021, were both amounted to NT\$120,000 thousand.

**17.Other payables**

	<u>December 31,2022</u>	<u>December 31,2021</u>
Salaries and wages payable	\$ 40,937	\$ 38,347
Employees' compensation and remuneration of directors payable	33,659	—
Service payable	3,401	3,239
Others	<u>10,829</u>	<u>10,168</u>
	<u>\$ 88,826</u>	<u>\$ 51,754</u>

**18.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, Princeton Capital Corp., and CORTEX CORP. have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, Princeton Technology (Shenzhen) Ltd. and Princeton Technology (Chengdu) Corp. 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\$9,181 thousand and NT\$8,669 thousand in the parent company only statements of comprehensive income for the years ended December 31, 2022 and 2021, respectively. The net pension cost under the Labor Pension Act amounted to NT\$1,765 thousand and NT\$1,682 thousand were not paid as of December 31, 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 amounts arising from the defined benefit obligation of the Company in the parent company only balance sheets were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	\$ 72,267	\$ 74,078
Fair value of plan assets	<u>(56,711)</u>	<u>(50,377)</u>
Net defined benefit liability	<u>\$ 15,556</u>	<u>\$ 23,701</u>

Movements in the present value of the defined benefit obligation were as follows:

	<u>2022</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
January 1, 2022	\$ 74,078	\$ (50,377)	\$ 23,701
Service cost			
Current service cost	156	—	156
Interest expense (income)	<u>500</u>	<u>(342)</u>	<u>158</u>
Recognized in profit or loss	<u>656</u>	<u>(342)</u>	<u>314</u>
Remeasurement			
Return on plan assets	—	(3,854)	(3,854)
Actuarial (gain) loss			
Changes in demographic assumptions	(8)	—	(8)
Changes in financial assumptions	(3,343)	—	(3,343)
Experience adjustments	<u>884</u>	<u>—</u>	<u>884</u>
Recognized in other comprehensive income	<u>(2,467)</u>	<u>(3,854)</u>	<u>(6,321)</u>
Contributions by plan participants	<u>—</u>	<u>(2,138)</u>	<u>(2,138)</u>
December 31, 2022	<u>\$ 72,267</u>	<u>\$ (56,711)</u>	<u>\$ 15,556</u>

	2021		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
January 1, 2021	\$ 76,682	\$ (47,528)	\$ 29,154
Service cost			
Current service cost	288	—	288
Interest expense (income)	225	(141)	84
Recognized in profit or loss	513	(141)	372
Remeasurement			
Return on plan assets	—	(698)	(698)
Actuarial (gain) loss			
Changes in demographic assumptions	203	—	203
Changes in financial assumptions	(2,672)	—	(2,672)
Experience adjustments	(648)	—	(648)
Recognized in other comprehensive income	(3,117)	(698)	(3,815)
Contributions by plan participants	—	(2,010)	(2,010)
December 31, 2021	<u>\$ 74,078</u>	<u>\$ (50,377)</u>	<u>\$ 23,701</u>

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

	2022	2021
Cost of goods sold	\$ 13	\$ 15
Marketing expenses	26	32
General and administrative expenses	110	123
Research and development expenses	165	202
	<u>\$ 314</u>	<u>\$ 372</u>

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- (a) Investment risk: The pension funds are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management. However, under the Labor Standards Law, the rate of return on assets shall not be less than the average interest rate on a two-year time deposit published by the local banks.
- (b) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.
- (c) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions of the actuarial valuation were as follows:

	Measurement Date	
	December 31, 2022	December 31, 2021
Discount rate	1.25%	0.70%
Future salary increase rate	2.00%	2.00%
The weighted average duration of the defined benefit obligation	8 years.	8 years.

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	Measurement Date	
	December 31, 2022	December 31, 2021
Discount rate		
0.25% increase	\$ (1,446)	\$ (1,620)
0.25% decrease	\$ 1,491	\$ 1,674
Expected rate(s) of salary increase		
0.25% increase	\$ 1,476	\$ 1,648
0.25% decrease	\$ (1,439)	\$ (1,603)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the parent company only balance sheets.

The Company expects to make contributions of NT\$2,089 thousand to the defined benefit plans in the next year starting from December 31, 2022.

## **19. Guarantee deposits**

	December 31, 2022	December 31, 2021
Capacity guarantee	\$ 102,124	\$ 55,460
Others	—	400
	<u>\$ 102,124</u>	<u>\$ 55,860</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.

## **20. Equity**

### **a. Capital**

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

As of December 31, 2022 and 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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (a)</u>		
Premiums	\$ 1,102	\$ 1,102
<u>May be used to offset a deficit only (b)</u>		
Recognize changes in subsidiaries' ownership	39	39
Share of changes in equities of associates and joint venture	15,411	13,262
<u>May not be used for any purpose</u>		
Employee stock options	4,592	4,592
	<u>\$ 21,144</u>	<u>\$ 18,995</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 shareholders' meeting approved to offset accumulated deficit, amounted to NT\$211,348 thousand by using legal reserve.

The appropriations of earnings for 2022 had been proposed by the Board of Directors on March 1, 2023. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 17,295	
Special reserve	37,193	
Cash dividend to shareholders	117,613	\$ 0.65
	<u>\$ 172,101</u>	

The appropriations of earnings for 2022 are to be resolved in the Company's shareholders' meeting to be held on June 16, 2023 (expected).

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</u>	<u>2021</u>
Balance, beginning of year	\$ (52,925)	\$ (42,336)
Foreign currency translation reserve	63,408	(13,236)
Income tax effect	(10,601)	2,647
Balance, end of year	<u>\$ (118)</u>	<u>\$ (52,925)</u>

The exchange differences arising from the translation of foreign operation's net assets from its functional currency to the Company'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</u>	<u>2021</u>
Balance, beginning of year	\$ (35,860)	\$ (44,292)
Changes in unrealized (loss) gain on financial assets at FVTOCI	(855)	765
Share of other comprehensive (loss) gain of subsidiaries and associates	(360)	7,667
Balance, end of year	<u>\$ (37,075)</u>	<u>\$ (35,860)</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.

## **21. Revenue**

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers		
Net revenue from sale of goods	\$ 1,492,557	\$ 853,095
Net revenue from rendering of services	4,028	12,789
Balance, end of year	<u>\$ 1,496,585</u>	<u>\$ 865,884</u>

Relevant information of revenue from contracts with customers for the years ended December

31, 2022 and 2021 is as follows:

a. Disaggregation of revenue

The revenue of the Company could be breakdown by major products and geographical locations, the related information was refer to Note 37. The disaggregation of revenue recognition point is as follows:

	2022	2021
Revenue recognition point:		
At a point in time	\$ 1,492,557	\$ 853,095
Satisfies the performance obligation over time	4,028	12,789
	<u>\$ 1,496,585</u>	<u>\$ 865,884</u>

b. Contract balances

	2022	2021
Contract liabilities - current		
Sales of goods	\$ 1,201	\$ 3,107

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\$2,955 thousand and NT\$668 thousand for the years ended December 31, 2022 and 2021, respectively.

c. Transaction price allocated to unsatisfied performance obligations

As of December 31, 2022 and 2021, there is no need to provide relevant information of the unsatisfied performance obligations as the contracts with customers about the sales of goods are all lower than one year.

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

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

As of December 31, 2022 and 2021, the Company's employees numbered 187 and 189, respectively. There were both 6 non-employee directors, for 2022 and 2021.

The Company's net income includes the following items:

	2022			2021		
	As cost of goods sold	As operating expenses	Total	As cost of goods sold	As operating expenses	Total
Employment expenses						
Salaries	\$ 6,442	\$ 209,671	\$ 216,113	\$ 5,150	\$ 169,811	\$ 174,961
Insurance	649	15,595	16,244	615	14,827	15,442
Pension						
Defined contribution plans	286	8,895	9,181	274	8,395	8,669
Defined benefit plans	13	301	314	15	357	372
Remuneration of directors	—	3,580	3,580	—	1,974	1,974
Others	384	5,948	6,332	351	5,589	5,940
	<u>\$ 7,774</u>	<u>\$ 243,990</u>	<u>\$ 251,764</u>	<u>\$ 6,405</u>	<u>\$ 200,953</u>	<u>\$ 207,358</u>
Depreciation expenses	<u>\$ 836</u>	<u>\$ 22,792</u>	<u>\$ 23,628</u>	<u>\$ 835</u>	<u>\$ 24,029</u>	<u>\$ 24,864</u>

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

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

The Company's profit sharing bonus to employees and compensation to directors for 2022 was accrued at NT\$ 33,659 thousand. The Company didn't accrue any compensation expenses for 2021 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.

### **23. Other income**

	<u>2022</u>	<u>2021</u>
Interest income		
Bank deposits	\$ 1,549	\$ 407
Others	5	5
	<u>\$ 1,554</u>	<u>\$ 412</u>

### **24. Other gains and losses**

	<u>2022</u>	<u>2021</u>
Other gains:		
Net gain on financial instruments at FVTPL	\$ 825	\$ 17,613
Net exchange gain	42,415	—
Others	3,041	4,265
	<u>46,281</u>	<u>21,878</u>
Other losses:		
Loss on disposal of investments, net	—	(176)
Net exchange loss	—	(12,476)
Others	(138)	(461)
	<u>(138)</u>	<u>(13,113)</u>
	<u>\$ 46,143</u>	<u>\$ 8,765</u>

### **25. Income tax**

#### **a. Income tax expense consisted of the following**

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

	<u>2022</u>	<u>2021</u>
Current income tax expense		
Current tax expense recognized for the current period	\$ —	\$ —
	<u>—</u>	<u>—</u>
Deferred income tax expense		
Temporary differences	2,445	2,271
	<u>2,445</u>	<u>2,271</u>
Income tax expense recorded in profit or loss	<u>\$ 2,445</u>	<u>\$ 2,271</u>

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

	<u>2022</u>	<u>2021</u>
Deferred income tax expense (benefit)		
Foreign currency translation reserve	\$ 10,601	\$ (2,647)
Remeasurement of defined benefit plan	<u>1,264</u>	<u>763</u>
	<u>\$ 11,865</u>	<u>\$ (1,884)</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 expenses reported in the accompanying statements of income are summarized as follows:

	<u>2022</u>	<u>2021</u>
Expected income tax expenses calculated using the statutory tax date	\$ 34,068	\$ 23,218
Permanent differences	210	(3,178)
Tax loss carry forward	(28,656)	7,256
Loss recognized by equity method	(3,556)	(23,767)
Loss on decline in value of inventory	<u>389</u>	<u>(1,258)</u>
Income tax expenses recorded in profit or loss	<u>\$ 2,445</u>	<u>\$ 2,271</u>

c.Current tax assets and liabilities

	<u>December 31,2022</u>	<u>December 31,2021</u>
Current tax assets		
Income tax receivable	<u>\$ 372</u>	<u>\$ 533</u>

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

<u>Year Ended December 31, 2022</u>	<u>Balance, Beginning of Year</u>	<u>Recognized in</u>		<u>Balance, End of Year</u>
		<u>Profit or Loss</u>	<u>Other Comprehensive Income</u>	
Deferred income tax assets				
Loss on decline value of inventory	\$ 6,112	\$ 435	\$ —	\$ 6,547
Unrealized intercompany profits	145	(93)	—	52
Unrealized foreign exchange loss	731	(731)	—	—
Foreign currency translation reserve	6,266	—	(6,266)	—
Others	<u>1</u>	<u>(1)</u>	<u>—</u>	<u>—</u>
Subtotal	<u>13,255</u>	<u>(390)</u>	<u>(6,266)</u>	<u>6,599</u>
Deferred income tax liabilities				
Unrealized foreign exchange gain	—	(2,055)	—	(2,055)
Foreign currency translation reserve	—	—	(4,335)	(4,335)
Actuarial gains and losses on defined benefit plan	(72)	—	(1,264)	(1,336)
Subtotal	<u>(72)</u>	<u>(2,055)</u>	<u>(5,599)</u>	<u>(7,726)</u>
	<u>\$ 13,183</u>	<u>\$ (2,445)</u>	<u>\$ (11,865)</u>	<u>\$ (1,127)</u>

Year Ended December 31, 2021	Balance, Beginning of Year	Recognized in		Balance, End of Year
		Profit or Loss	Other Comprehensive Income	
Deferred income tax assets				
Loss on decline value of inventory	\$ 8,044	\$ (1,932)	\$ —	\$ 6,112
Actuarial gains and losses on defined benefit plan	691	—	(691)	—
Unrealized intercompany profits	182	(37)	—	145
Unrealized foreign exchange loss	1,016	(285)	—	731
Foreign currency translation reserve	3,619	—	2,647	6,266
Others	18	(17)	—	1
Subtotal	13,570	(2,271)	1,956	13,255
Deferred income tax liabilities				
Actuarial gains and losses on defined benefit plan	—	—	(72)	(72)
Subtotal	—	—	(72)	(72)
	<u>\$ 13,570</u>	<u>\$ (2,271)</u>	<u>\$ 1,884</u>	<u>\$ 13,183</u>

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

There were no unused investment tax credits available as of December 31, 2022.

Tax loss carry forward were as follows:

	Unused tax loss carry forward	Expiration date
PTC	<u>\$ 134,181</u>	December 31, 2031

f. Income tax examination

The tax authorities have examined income tax returns of PTC through 2020.

## 26. Earning per shares

	2022	2021
<u>Basic EPS</u>		
Net income available to common shareholders of the parent	<u>\$ 167,891</u>	<u>\$ 113,815</u>
Weighted average number of common shares outstanding used in calculating basic EPS	<u>180,944</u>	<u>180,944</u>
Basic EPS	<u>\$ 0.93</u>	<u>\$ 0.63</u>
<u>Diluted EPS</u>		
Net income available to common shareholders of the parent	\$ 167,891	\$ 113,815
Effect of dilutive potential common shares:		
Compensation of employees	—	—
Net income available to common shareholders of the parent plus the effect of dilutive potential common shares	<u>\$ 167,891</u>	<u>\$ 113,815</u>
Weighted average number of common shares outstanding used in the computation of basic EPS	180,944	180,944
Effect of dilutive potential common shares:		
Compensation of employees	1,033	—
Weighted average number of common shares outstanding used in the computation of diluted EPS	<u>181,977</u>	<u>180,944</u>
Diluted EPS	<u>\$ 0.92</u>	<u>\$ 0.63</u>

## 27. Cash flow information

### a. Non-cash transactions:

	2022	2021
Additions of property, plant and equipment	\$ 24,569	\$ 21,749
Changes in prepaid to contractors and equipment suppliers	5,658	—
Payments for acquisition of property, plant and equipment	<u>\$ 30,227</u>	<u>\$ 21,749</u>

### b. Reconciliation of liabilities arising from financing activities:

Year Ended December 31, 2022	Balance, Beginning of Year	Financing Cash Flow	Non-cash changes		Balance, End of Year
			Other Changes		
Lease liabilities	\$ 1,450	\$ (1,450)	\$ —		\$ —
Guarantee deposits	55,860	46,264	—		102,124
	<u>\$ 57,310</u>	<u>\$ 44,817</u>	<u>\$ —</u>		<u>\$ 102,124</u>

  

Year Ended December 31, 2021	Balance, Beginning of Year	Financing Cash Flow	Non-cash changes		Balance, End of Year
			Other Changes		
Lease liabilities	\$ 4,307	\$ (2,857)	\$ —		\$ 1,450
Guarantee deposits	240	55,620	—		55,860
	<u>\$ 4,547</u>	<u>\$ 52,763</u>	<u>\$ —</u>		<u>\$ 57,310</u>

## 28. Related-party transactions

The following is a summary of transactions between the Company and related parties:

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

Related Parties	Relationship
Princeton Technology (Chengdu) Corp.	Subsidiaries
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

	2022	2021
Subsidiaries		
Princeton Technology (Chengdu) Corp.	\$ 383,581	\$ 208,023
Associates	118	49
	<u>\$ 383,699</u>	<u>\$ 208,072</u>

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

### c. Purchase

	2022	2021
Subsidiaries		
Princeton Technology (Chengdu) Corp.	<u>\$ 39,698</u>	<u>\$ 12,736</u>

The terms of the foregoing transactions with related parties are similar to those for third parties.

d. Professional fee

	<u>Account</u>	<u>2022</u>	<u>2021</u>
Subsidiaries			
Princeton Technology (Chengdu) Corp.	Manufacturing expenses	\$ 11,159	\$ 14,903
Associates	Other revenue	\$ 531	\$ 531

e. Receivables

	<u>December 31,2022</u>	<u>December 31,2021</u>
Accounts receivable		
Subsidiaries		
Princeton Technology (Chengdu) Corp.	\$ 39,510	\$ 54,025
Other receivables		
Associates	\$ 47	\$ 47
Accounts payable		
Subsidiaries		
Princeton Technology (Chengdu) Corp.	\$ 4,150	\$ 5,716

f. Endorsements and guarantees

As of December 31, 2022 and 2021, the Company provided the Company's Land and Buildings of subsidiaries servers as collaterals for bank loan. The amounts of endorsements and guarantees (provided to each entity in the Group) was US\$6,000 thousand. Refer to Notes 29.

g. Compensation of key management personnel

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 14,867	\$ 10,135
Retirement benefits	215	215
	\$ 15,082	\$ 10,350

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.

**29. Assets mortgaged or pledged**

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

	<u>December 31,2022</u>	<u>December 31,2021</u>
Land	\$ 116,748	\$ 116,748
Buildings	44,259	46,378
Other financial assets-bank deposits	2,065	2,053
	\$ 163,072	\$ 165,179

**30. 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 December 31, 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.

**31. Significant loss:** None.

**32. Subsequent events:** None.

**33. 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.

**34. Disclosure of financial instruments**

a. Fair values of financial instruments :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified financial assets as at FVTPL	\$ 30,009	\$ 30,009
FVTOCI		
Equity instruments	4,575	5,430
Financial assets measured at amortized cost (Note 1)	<u>597,365</u>	<u>692,075</u>
	<u>\$ 631,949</u>	<u>\$ 727,514</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost (Note 2)		
	<u>\$ 328,254</u>	<u>\$ 240,569</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 parent company only 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:

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Financial products	\$ —	\$ 30,009	\$ —	\$ 30,009
<u>Financial assets at FVTOCI</u>				
Non-publicly traded stocks	\$ —	\$ —	\$ 4,575	\$ 4,575
	December 31, 2021			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Financial products	\$ —	\$ 30,009	\$ —	\$ 30,009
<u>Financial assets at FVTOCI</u>				
Non-publicly traded stocks	\$ —	\$ —	\$ 5,430	\$ 5,430

There were no transfers between Level 1 and 2 for the years ended December 31, 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:

	<u>Financial Assets at FVTOCI</u>
For the year ended December 31, 2022	
Balance, beginning of Year	\$ 5,430
Additional/ Disposals	—
Recognized in profit or loss	—
Recognized in other comprehensive income	(855)
Balance, end of Year	<u>\$ 4,585</u>
For the year ended December 31, 2021	
Balance, beginning of Year	\$ 4,665
Additional/ Disposals	—
Recognized in profit or loss	—
Recognized in other comprehensive income	765
Balance, end of Year	<u>\$ 5,430</u>

(f) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement:

As of December 31, 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	Assets Approach	Lack of marketability and Price-Book ratio of similar entities	0.55-39.06	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\$457thousand

As of December 31, 2021:

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	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

#### 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:

	December 31, 2022		December 31, 2021	
	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	\$ 16,687	30.66	\$ 19,821	27.63
JPY : TWD	7,953	0.2304	34,902	0.2385
HKD : TWD	5	3.908	58	3.519
EUR : TWD	2	32.52	502	31.12
<u>Investments accounted for under the equity method</u>				
USD : TWD	\$ 29,878	30.66	\$ 29,316	27.63
<u>Financial Liabilities</u>				
<u>Monetary items</u>				
USD : TWD	\$ 6,467	30.76	\$ 5,307	27.73
JPY : TWD	166	0.2344	1,208	0.2425
HKD : TWD	—	3.968	3	3.579

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 depreciation / appreciation of 1% in the foreign exchanges against the New Taiwan dollar, the net income for the years ended December 31, 2022 and 2021 would have increased/decreased by NT\$3,152 thousand and NT\$4,248 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.

As of December 31, 2022 and 2021, the Company has no short-term liabilities calculated by floating rate.

(c) Other price risk

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

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 34.

e. Credit risk

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

(a) Business related credit risk

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

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

As of December 31, 2022 and 2021, the Company's ten largest customers accounted for 96% and 91% 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.

	December 31, 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)	\$ 137,304	—	—	—	\$ 137,304
Other payables	88,826	—	—	—	88,826
	<u>\$ 226,130</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 226,130</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)	\$ 132,955	—	—	—	\$ 132,955
Lease liabilities	1,450	—	—	—	1,450
Other payables	51,754	—	—	—	51,754
	<u>\$ 186,159</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 186,159</u>

**35. Reclassifications**

Certain 2021 accounts have been reclassified to conform to the 2022 financial statement presentation.

**36. Additional disclosures**

Following are the additional disclosures:

- Financial provided : Table 1 (attached)
- Endorsement/guarantee provided : Table 2 (attached)
- Marketable securities held (excluding investments in subsidiaries and jointly controlled entities): Table 3 (attached)
- 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 : Table 4 (attached)
- h.Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital : None
- i.Derivate financial transaction : None
- j.Names, locations and related information of investees on which the Company exercises significant influence : Table 5 (attached)
- k.Investment in Mainland China : Table 6 (attached)
- l.Information of major shareholder : Table 7 (attached)

**37.Operating segments information**

The Company has provided the operating segments disclosure in the consolidated financial statements.

Table 1

Financial provided

For the year ended December 31, 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	39,459	4.75%	Note 2	—	Operating capital	—	—	—	148,003	185,004

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.

$$(NT\$ 370,008 \times 40\% = NT\$148,003)$$

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

$$(NT\$ 370,008 \times 50\% = NT\$185,004)$$

Table 2

Endorsement/guarantee provided

For the year ended December 31, 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.	927,500	USD6,000	USD 6,000	USD3,000	USD6,000	8.93%	1,009,944	Y	—	Y

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

$$(NT\$ 2,061,111 \times 45\% = NT\$927,500)$$

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

$$(NT\$ 2,061,111 \times 49\% = NT\$1,009,944)$$

Table 3

Marketable securities held

For the year ended December 31, 2022

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

Investor	Description of Stock		Relationship with the Investor	Financial statement account	December 31, 2022			
					Shares	Carrying value	Percentage of ownership	Fair Value
Princeton Technology Corp.	Financial products	Asiavalue Principal Guaranteed Note	—	Financial assets at FVTPL - current	30,000	30,009	—	30,009
Princeton Technology Corp.	Common stock	Innorich Venture Capital Corp.	—	Financial assets at FVTOCI	1,500	4,575	—	4,575
Princeton Capital Corp.	Common stock	Advanced Microelectronic Products Inc.	—	Financial assets at FVTPL - current	56	1,279	—	1,279
Princeton Capital Corp.	Common stock	Unifosa Corporation	—	Financial assets at FVTPL	2,566	20,782	—	20,782
Princeton Capital Corp.	Limited partnership	Foryou Private Equity Limited Partnership	—	Financial assets at FVTPL - non-current	—	6,230	—	6,230
Princeton Capital Corp.	Limited partnership	Qingfeng Capital Venture Capital Limited Partnership	—	Financial assets at FVTPL - non-current	—	14,765	—	14,765
Princeton Capital Corp.	Common stock	Advanced Microelectronic Products Inc.	—	Financial assets at FVTOCI	288	3,626	—	3,626
Princeton Technology (Shenzhen) Ltd.	Financial products	Fubon bank (China ) co., Ltd Structured deposits Yue Hui Ying	—	Financial assets at FVTPL - current	16,770	74,432	—	74,432
Princeton Technology (Chengdu) Corp.	Financial products	Fubon bank (China ) co., Ltd Structured deposits Yue Hui Ying	—	Financial assets at FVTPL - current	2,000	8,870	—	8,870
Chengdu Chip-Rail Microelectronics Co., Ltd.	Financial products	Bank of Communications contains wealth-type structured deposits 7day	—	Financial assets at FVTPL - current	2,000	8,770	—	8,770
Chengdu Chip-Rail Microelectronics Co., Ltd.	Financial products	Bank of Communications contains wealth-type structured deposits 7day	—	Financial assets at FVTPL - current	9,000	39,467	—	39,467
Chengdu Chip-Rail Microelectronics Co., Ltd.	Financial products	Bank of Communications Yuntong Wealth Term Structured Deposit for 22days	—	Financial assets at FVTPL - current	4,000	17,541	—	17,541
Chengdu Chip-Rail Microelectronics Co., Ltd.	Financial products	Bank of Communications Yuntong Wealth Term Structured Deposit for 63 days	—	Financial assets at FVTPL - current	3,000	13,156	—	13,156

(concluded)

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 the year ended December 31, 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			Ending balance	% to Total	
						Unit price	Payment terms			
Princeton Technology (Chengdu) Corp.	Equity-method investee of Princeton Silicon Inc.	Sales	383,581	19.68%	OA60days	—	—	Accounts receivable 39,510	9.72%	

Table 5

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

For the year ended December 31, 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 December 31, 2022			Net income(loss) of the investee	Equity in net income (net loss)
				Dec 31, 2022	Dec 31, 2021	Shares (in thousand)	Percentage of ownership	Carrying value		
Princeton Technology Corp.	Princeton Silicon Inc.	Hong Kong	Holding company	1,009,632	1,009,632	32,000	100.00%	913,942	42,677	41,687
Princeton Technology Corp.	Princeton Capital Corp.	Taiwan	Investment holding	150,000	150,000	15,000	100.00%	163,771	(19,986)	(19,986)
Princeton Technology Corp.	Microlink Communications Inc.	Taiwan	Wireless communications products research , manufacture and sales & marketing	80,000	80,000	8,000	25.00%	—	(5,697)	—
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	7.93%	6,645	(21,770)	(2,125)
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%	—	(51,314)	(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%	—	(51,314)	(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 39,147	RMB 134	RMB 68

Table 6

## Investment in Mainland China

For the year ended December 31, 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 December 31, 2021	Net income (loss) of the investee	% Ownership director or indirect investment	Investment gain(loss)	Carrying value as of December 31, 2022	Accumulated inward remittance of earnings as of December 31, 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)	(8,870) (USD (297))	100%	(8,772)	370,008	—
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)	51,448 (USD 1,724)	100%	51,448	546,055	—
Accumulated investment in Mainland China as of December 31, 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)		1,236,667								

Note1: Recognition of the upper limit was based on audited financial statement as of December 31, 2022. The limit was NT\$1,236,667 (NT\$2,061,111× 60% = NT\$1,236,667)

Table 7

Information on major shareholders

For the year ended December 31, 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 parent company only 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.