

TSC Auto ID Technology Co.,
Ltd. and Its Subsidiaries

Consolidated Financial
Statement and Auditor's
Review Report
Third Quarter of 2021/2020

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

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Auditor's Review Report

To TSC Auto ID Technology Co., Ltd.:

Background

We have reviewed the consolidated balance sheet as of September 30, 2021 and September 30, 2020; the consolidated incomes statement from July 1 to September 30, 2021 and from July 1 to September 30, 2020, from January 1 to September 30, 2021 and from January 1 to September 30, 2020; the consolidated statements of changes in equity and the consolidated statements of cash flows from January 1 to September 30, 2021 and from January 1 to September 30, 2020 of TSC Auto ID Technology Co., Ltd. and its subsidiaries ("TSC Auto ID Technology Group") and the notes to consolidated financial statements (including the summary of major accounting policies). According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standards (IAS) 34 Interim Financial Reporting recognized and promulgated by the Financial Supervisory Commission, the preparation of financial reports for fair representation is the management's responsibility. Our responsibility is to reach conclusions based on the review result of consolidated financial statements.

Scope

We carried out the review engagement in accordance with the Statements on Auditing Standards No. 65 "Review of Financial Statements." The procedures of a review of consolidated financial statements include inquiries (mainly to financial and accounting personnel), analytical procedures and other review procedures. A review is substantially less in scope than an audit. Therefore, we may not be able to detect all the material items which can be identified via audit work and will not be able to express an opinion accordingly.

Conclusion

Based on our review and other auditors' review (please refer to "Other Matters"), we did not identify in the abovementioned consolidated financial statements any materiality that was not prepared according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standards (IAS) 34 Interim Financial Reporting recognized and promulgated by the Financial Supervisory Commission, and that prevented the fair representation of TSC Auto ID Technology Group's consolidated financial status as of September 30, 2021 and September 30, 2020, consolidated financial performance from July 1 to September 30, 2021 and from July 1 to September 30, 2020, consolidated financial performance and cash flows from January 1 to September 30, 2021 and from January 1 to September 30, 2020.

Other Matters

Among the subsidiaries consolidated in TSC Auto ID Technology Group's financial statements, the financial statements of certain important subsidiaries were not reviewed by us but by other auditors. Therefore, our conclusion of the abovementioned financial statements was based on the review by other auditors of recognition and disclosure regarding the listed amounts and relevant information disclosed in notes of the financial statements of these companies. These subsidiaries accounted for 18.77% and 21.25% of the total consolidated assets as of September 30, 2021 and September 30, 2020, respectively; 33.46% and 33.34% of the consolidated revenue from July 1 to September 30, 2021 and from July 1 to September 30, 2020, respectively, and 34.64% and 35.77% of the total consolidated revenue from January 1 to September 30, 2021 and from January 1 to September 30, 2020, respectively; and 15.72% and 11.47% of the total comprehensive incomes from July 1 to September 30, 2021 and from July 1 to September 30, 2020, respectively, and 14.57% and 18.00% of the total comprehensive incomes from January 1 to September 30, 2021 and from January 1 to September 30, 2020, respectively.

Deloitte Taiwan

CPA Lin Wen Qin

CPA Fan You Wei

Official Letter of Approval by Securities
and Futures Commission

Official Letter of Approval by Securities
and Futures Commission

Taiwan-Finance-Securities-VI-0920123784

Taiwan-Finance-Securities-VI-0920123784

November 9, 2021

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Consolidated Balance Sheet

As of September 30, 2021, December 31, 2020 and September 30, 2020

Unit: NT\$ thousand

Code	Asset	September 30, 2021 (reviewed)		December 31, 2020 (audited)		September 30, 2020 (reviewed)	
		Amount	%	Amount	%	Amount	%
Current assets							
1100	Cash and cash equivalents (Note 6)	\$ 1,321,321	17	\$ 1,307,939	18	\$ 1,134,036	17
1110	Financial assets at fair value through profit or loss (Note 7)	1,776	-	934	-	2,468	-
1170	Notes and accounts receivable, net (Notes 9, 26)	1,322,298	17	1,103,900	16	920,632	14
1200	Other receivables (Note 26)	22,824	-	15,537	-	21,915	-
130X	Inventory (Note 10)	1,120,319	15	779,214	11	842,968	13
1410	Prepayments	49,599	1	33,332	1	40,524	1
1470	Other current assets	4,676	-	4,294	-	10,107	-
11XX	Total current assets	<u>3,842,813</u>	<u>50</u>	<u>3,245,150</u>	<u>46</u>	<u>2,972,650</u>	<u>45</u>
Non-current assets							
1517	Financial assets at fair value through other comprehensive income (Note 8)	881,280	12	845,920	12	550,120	8
1600	Property, plant and equipment (Note 12)	1,005,124	13	972,754	14	981,323	15
1755	Right-of-use assets (Note 13)	261,956	3	279,794	4	303,095	4
1780	Other intangible assets (Note 15)	261,063	3	312,557	4	333,630	5
1805	Goodwill (Note 14)	959,533	13	981,239	14	1,002,600	15
1840	Deferred income tax assets	432,027	6	442,269	6	469,205	7
1990	Other non-current assets	24,073	-	23,738	-	40,943	1
15XX	Total non-current assets	<u>3,825,056</u>	<u>50</u>	<u>3,858,271</u>	<u>54</u>	<u>3,680,916</u>	<u>55</u>
1XXX	Total assets	<u>\$ 7,667,869</u>	<u>100</u>	<u>\$ 7,103,421</u>	<u>100</u>	<u>\$ 6,653,566</u>	<u>100</u>
Liabilities and equity							
Current liabilities							
2100	Short-term loans (Note 16)	\$ 1,253,838	16	\$ 794,994	11	\$ 657,560	10
2120	Financial liabilities at fair value through profit or loss (Note 7)	824	-	3,235	-	-	-
2170	Accounts payable (Note 26)	729,142	10	540,217	8	423,424	7
2200	Other payables (Notes 17, 26)	283,989	4	279,466	4	209,127	3
2230	Income tax liability during the period	175,140	2	169,894	3	157,071	2
2250	Liability reserve	6,075	-	5,666	-	5,646	-
2280	Lease liability (Note 13)	102,872	1	80,462	1	82,154	1
2320	Long-term liabilities due within one year (Note 16)	35,000	-	4,000	-	110,000	2
2399	Other current liabilities	137,569	2	95,336	1	86,528	1
21XX	Total current liabilities	<u>2,724,449</u>	<u>35</u>	<u>1,973,270</u>	<u>28</u>	<u>1,731,510</u>	<u>26</u>
Non-current liabilities							
2540	Long-term loans (Note 16)	665,000	9	1,026,000	14	1,334,670	20
2570	Deferred income tax liabilities	295,121	4	270,731	4	263,849	4
2580	Lease liability (Note 13)	183,452	2	211,975	3	229,127	4
2640	Net defined benefit liability	19,195	-	22,860	-	24,640	-
2670	Other non-current liabilities	58,119	1	47,370	1	53,601	1
25XX	Total non-current liabilities	<u>1,220,887</u>	<u>16</u>	<u>1,578,936</u>	<u>22</u>	<u>1,905,887</u>	<u>29</u>
2XXX	Total liabilities	<u>3,945,336</u>	<u>51</u>	<u>3,552,206</u>	<u>50</u>	<u>3,637,397</u>	<u>55</u>
Equity (Note 18)							
3110	Ordinary share capital	424,769	6	424,769	6	424,769	6
3200	Capital surplus	588,994	8	577,665	8	573,925	9
Retained earnings							
3310	Legal reserve	595,108	8	523,393	7	523,393	8
3320	Special reserve	8,597	-	8,597	-	8,597	-
3350	Unappropriated earnings	1,929,467	25	1,826,157	26	1,569,445	23
3300	Total retained earnings	<u>2,533,172</u>	<u>33</u>	<u>2,358,147</u>	<u>33</u>	<u>2,101,435</u>	<u>31</u>
3400	Other equity	175,598	2	190,634	3	(83,960)	(1)
3XXX	Total equity	<u>3,722,533</u>	<u>49</u>	<u>3,551,215</u>	<u>50</u>	<u>3,016,169</u>	<u>45</u>
Total liabilities and equity		<u>\$ 7,667,869</u>	<u>100</u>	<u>\$ 7,103,421</u>	<u>100</u>	<u>\$ 6,653,566</u>	<u>100</u>

The notes are an integral part of these consolidated financial statements.

(Please refer to the auditor's review report issued by Deloitte Taiwan on November 9, 2021.)

Chairman: Wang Shiu-Ting

Chief Executive Officer: Wang Hsing-Lei

Chief Accounting Officer: Lin Shu-Juan

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries
Consolidated Comprehensive Income Statement

From July 1 to September 30, 2021 and from July 1 to September 30, 2020 and from January 1 to September 30, 2021 and from January 1 to September 30, 2020

(Reviewed only. Not audited according to generally accepted audit standards.)

Unit: NT\$ thousand except NT\$ for earnings per share

Code		July 1 to September 30, 2021		July 1 to September 30, 2020		January 1 to September 30, 2021		January 1 to September 30, 2020	
		Amount	%	Amount	%	Amount	%	Amount	%
	Operating incomes (Notes 19, 26)								
4110	Revenues	\$ 1,777,174	100	\$ 1,458,422	100	\$ 5,038,043	100	\$ 4,019,216	100
	Operating costs (Notes 10, 20, 26)								
5110	Cost of goods sold	<u>1,198,323</u>	<u>67</u>	<u>925,771</u>	<u>64</u>	<u>3,354,940</u>	<u>66</u>	<u>2,597,757</u>	<u>64</u>
5900	Gross profits	<u>578,851</u>	<u>33</u>	<u>532,651</u>	<u>36</u>	<u>1,683,103</u>	<u>34</u>	<u>1,421,459</u>	<u>36</u>
	Operating expenses (Notes 9, 20, 26)								
6100	Sales & marketing expenses	150,000	8	128,618	9	456,402	9	410,709	10
6200	Administrative expenses	98,350	6	88,001	6	277,421	6	245,173	6
6300	R&D expenses	<u>53,201</u>	<u>3</u>	<u>47,134</u>	<u>3</u>	<u>154,470</u>	<u>3</u>	<u>146,491</u>	<u>4</u>
6000	Total operating expenses	<u>301,551</u>	<u>17</u>	<u>263,753</u>	<u>18</u>	<u>888,293</u>	<u>18</u>	<u>802,373</u>	<u>20</u>
6900	Operating profits	<u>277,300</u>	<u>16</u>	<u>268,898</u>	<u>18</u>	<u>794,810</u>	<u>16</u>	<u>619,086</u>	<u>16</u>
	Non-operating incomes and expenses (Note 20)								
7100	Interest income	2,254	-	818	-	4,499	-	2,512	-
7190	Other incomes	8,743	-	11,070	1	39,003	1	41,197	1
7020	Other gains and losses	6,946	-	(11,122)	(1)	9,315	-	(8,717)	-
7050	Financial cost	(<u>7,314</u>)	-	(<u>7,727</u>)	-	(<u>20,154</u>)	(<u>1</u>)	(<u>28,344</u>)	(<u>1</u>)
7000	Total non-operating incomes and expenses	<u>10,629</u>	-	(<u>6,961</u>)	-	<u>32,663</u>	-	<u>6,648</u>	-
7900	Profits before tax	287,929	16	261,937	18	827,473	16	625,734	16
7950	Income tax expenses (Note 21)	<u>76,187</u>	<u>4</u>	<u>70,255</u>	<u>5</u>	<u>227,679</u>	<u>4</u>	<u>165,299</u>	<u>4</u>
8200	Net income for the period	<u>211,742</u>	<u>12</u>	<u>191,682</u>	<u>13</u>	<u>599,794</u>	<u>12</u>	<u>460,435</u>	<u>12</u>
	Other comprehensive incomes (Note 18)								
8310	Items that are not to be reclassified to profit or loss								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive incomes	(31,280)	(2)	6,120	-	35,360	1	(142,692)	(4)
8360	Items that may be subsequently reclassified to profit or loss								
8361	Exchange differences on translation of financial statements of foreign operations	(4,682)	-	(23,136)	(1)	(62,995)	(1)	(58,590)	(1)

8399	Income tax components that may be reclassified	<u>937</u>	<u>-</u>	<u>4,627</u>	<u>-</u>	<u>12,599</u>	<u>-</u>	<u>11,718</u>	<u>-</u>
8300	Other comprehensive income for the period (net of tax)	(<u>35,025</u>)	(<u>2</u>)	(<u>12,389</u>)	(<u>1</u>)	(<u>15,036</u>)	<u>-</u>	(<u>189,564</u>)	(<u>5</u>)
8500	Total comprehensive income for the period	<u>\$ 176,717</u>	<u>10</u>	<u>\$ 179,293</u>	<u>12</u>	<u>\$ 584,758</u>	<u>12</u>	<u>\$ 270,871</u>	<u>7</u>
8610	Net income attributable to: Shareholders of the Company	<u>\$ 211,742</u>	<u>12</u>	<u>\$ 191,682</u>	<u>13</u>	<u>\$ 599,794</u>	<u>12</u>	<u>\$ 460,435</u>	<u>12</u>
8710	Total comprehensive income attributable to: Shareholders of the Company	<u>\$ 176,717</u>	<u>10</u>	<u>\$ 179,293</u>	<u>12</u>	<u>\$ 584,758</u>	<u>12</u>	<u>\$ 270,871</u>	<u>7</u>
9710	Earnings per share (Note 22) Basic	<u>\$ 4.98</u>		<u>\$ 4.51</u>		<u>\$ 14.12</u>		<u>\$ 10.84</u>	
9810	Diluted	<u>\$ 4.95</u>		<u>\$ 4.50</u>		<u>\$ 14.02</u>		<u>\$ 10.78</u>	

The notes are an integral part of these consolidated financial statements.
(Please refer to the auditor's review report issued by Deloitte Taiwan on November 9, 2021.)

Chairman: Wang Shiu Ting

Chief Executive Officer: Wang Hsing Lei

Chief Accounting Officer: Lin Shu-Juan

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries
Consolidated Statement of Changes in equity
From January 1 to September 30, 2021 and from January 1 to September 30, 2020
(Reviewed only. Not audited according to generally accepted audit standards.)

Unit: NT\$1,000 unless otherwise indicated

Code		Ordinary share capital				Retained earnings				Exchange differences on translation of financial statements of foreign operations	Other equity		Total equity	
		No. of shares (1,000)	Amount	Advanced receipt of share capital	Total share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings		Total	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive incomes		Total
A1	Balance on January 1, 2020	42,437	\$ 424,369	\$ 400	\$ 424,769	\$ 568,892	\$ 447,718	\$ 8,597	\$ 1,609,454	\$ 2,065,769	(\$ 165,699)	\$ 271,303	\$ 105,604	\$ 3,165,034
G1	Exercise of employee stock options	40	400	(400)	-	-	-	-	-	-	-	-	-	-
B1	Appropriation and distribution of 2019 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
B5	Legal reserve	-	-	-	-	-	75,675	-	(75,675)	-	-	-	-	-
B5	Cash dividends to the company's shareholders	-	-	-	-	-	-	-	(424,769)	(424,769)	-	-	-	(424,769)
D1	Net income from January 1 to September 30, 2020	-	-	-	-	-	-	-	460,435	460,435	-	-	-	460,435
D3	Other comprehensive income (net of tax) from January 1 to September 30, 2020	-	-	-	-	-	-	-	-	-	(46,872)	(142,692)	(189,564)	(189,564)
D5	Total comprehensive income from January 1 to September 30, 2020	-	-	-	-	-	-	-	460,435	460,435	(46,872)	(142,692)	(189,564)	270,871
N1	Share-based compensation – employee stock options (Note 23)	-	-	-	-	5,033	-	-	-	-	-	-	-	5,033
Z1	Balance on September 30, 2020	42,477	\$ 424,769	\$ -	\$ 424,769	\$ 573,925	\$ 523,393	\$ 8,597	\$ 1,569,445	\$ 2,101,435	(\$ 212,571)	\$ 128,611	(\$ 83,960)	\$ 3,016,169
A1	Balance on January 1, 2021	42,477	\$ 424,769	\$ -	\$ 424,769	\$ 577,665	\$ 523,393	\$ 8,597	\$ 1,826,157	\$ 2,358,147	(\$ 233,777)	\$ 424,411	\$ 190,634	\$ 3,551,215
B1	Appropriation and distribution of 2020 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
B5	Legal reserve	-	-	-	-	-	71,715	-	(71,715)	-	-	-	-	-
B5	Cash dividends to the company's shareholders	-	-	-	-	-	-	-	(424,769)	(424,769)	-	-	-	(424,769)
D1	Net income from January 1 to September 30, 2021	-	-	-	-	-	-	-	599,794	599,794	-	-	-	599,794
D3	Other comprehensive income (net of tax) from January 1 to September 30, 2021	-	-	-	-	-	-	-	-	-	(50,396)	35,360	(15,036)	(15,036)
D5	Total comprehensive income from January 1 to September 30, 2021	-	-	-	-	-	-	-	599,794	599,794	(50,396)	35,360	(15,036)	584,758
N1	Share-based compensation – employee stock options (Note 23)	-	-	-	-	11,329	-	-	-	-	-	-	-	11,329
Z1	Balance on September 30, 2021	42,477	\$ 424,769	\$ -	\$ 424,769	\$ 588,994	\$ 595,108	\$ 8,597	\$ 1,929,467	\$ 2,533,172	(\$ 284,173)	\$ 459,771	\$ 175,598	\$ 3,722,533

The notes are an integral part of these consolidated financial statements.

(Please refer to the auditor's review report issued by Deloitte Taiwan on November 9, 2021.)

Chairman: Wang Shiu Ting

Chief Executive Officer: Wang Hsing Lei

Chief Accounting Officer: Lin Shu-Juan

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Consolidated Statement of Cash Flows

From January 1 to September 30, 2021 and from January 1 to September 30, 2020

(Reviewed only. Not audited according to generally accepted audit standards.)

Unit: NT\$ thousand

Code		January 1 to September 30, 2021	January 1 to September 30, 2020
	Cash flows from operating activities		
A10000	Profit before tax	\$ 827,473	\$ 625,734
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation	135,551	141,896
A20200	Amortization	56,129	57,509
A20300	Expected credit loss	1,153	5,161
A20900	Financial cost	20,154	28,344
A21200	Interest income	(4,499)	(2,512)
A21300	Dividend income	(20,400)	(20,400)
A21900	Cost of employee stock options	11,329	5,033
A22500	Loss from disposal of property, plant and equipment	1,173	214
A23700	Loss for market price decline and obsolete inventory	9,679	7,045
A24100	Unrealized foreign exchange (gains) losses	6,552	(1,312)
A30000	Net changes in operating assets and liabilities		
A31115	Financial assets designated at fair value through profit or loss	(842)	(53)
A31150	Notes and accounts receivable	(261,048)	103,137
A31180	Other receivables	(12,975)	(14,166)
A31200	Inventory	(384,065)	3,128
A31230	Prepayments	(14,744)	(4,824)
A31240	Other current assets	546	37
A31990	Other non-current assets	157	411
A32110	Financial liabilities held for trading	(2,411)	(356)
A32150	Accounts payable	237,703	(85,206)
A32180	Other payables	23,191	(72,190)
A32230	Other current liabilities	44,337	(10,249)
A32240	Net defined benefit liability	(3,665)	42
A32990	Other non-current liabilities	11,527	(2,446)
A33000	Cash inflows from operating activities	682,005	763,977
A33100	Interest received	4,524	2,553
A33500	Income tax paid	(180,477)	(94,120)
AAAA	Net cash flows from operating activities	<u>506,052</u>	<u>672,410</u>

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Code		January 1 to September 30, 2021	January 1 to September 30, 2020
	Cash flows from investing activities		
B00010	Acquisition of financial assets measured at fair value through other comprehensive incomes	\$ -	(\$ 76,948)
B02700	Purchase of property, plant and equipment	(115,115)	(59,724)
B02800	Property, plant and equipment	903	149
B03700	Increase in refundable deposits	(277)	(381)
B03800	Decrease in refundable deposits	83	14
B04500	Purchase of intangible assets	(10,083)	(8,479)
B07100	Increase in equipment prepayments	(9,484)	(26,037)
B07600	Dividends received	<u>20,400</u>	<u>20,400</u>
BBBB	Net cash outflows from investing activities	(<u>113,573</u>)	(<u>151,006</u>)
	Cash flows from financing activities		
C00100	Increase (decrease) in net short-term loans	463,564	(318,173)
C01600	Borrowing of long-term loans	100,000	1,000,384
C01700	Repayment of long-term loans	(430,000)	(470,000)
C03000	Increase in deposits received	-	288
C03100	Decrease in deposits received	-	(5)
C04020	Repayment of lease principals	(53,183)	(65,747)
C05600	Interest paid	(20,123)	(29,244)
C04500	Cash dividends paid	(<u>424,769</u>)	(<u>424,769</u>)
CCCC	Net cash outflows from financing activities	(<u>364,511</u>)	(<u>307,266</u>)
DDDD	Currency impact on cash and cash equivalents	(<u>14,586</u>)	(<u>994</u>)
EEEE	Net increase in cash and cash equivalents during the period	13,382	213,144
E00100	Cash and cash equivalents at the beginning of the period	<u>1,307,939</u>	<u>920,892</u>
E00200	Cash and cash equivalents at the end of the period	<u>\$ 1,321,321</u>	<u>\$ 1,134,036</u>

The notes are an integral part of these consolidated financial statements.

(Please refer to the auditor's review report issued by Deloitte Taiwan on November 9, 2021.)

Chairman:

Wang Shiu Ting

Chief Executive Officer:

Wang Hsing Lei

Chief Accounting Officer:

Lin Shu-Juan

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Notes to Consolidated Financial Statements

From January 1 to September 30, 2021 and from January 1 to September 30, 2020

(Reviewed only. Not audited according to generally accepted audit standards.)

(Unit: NT\$1,000 unless otherwise indicated)

I. Company History

TSC Auto ID Technology Co., Ltd. (“the Company”), founded on March 19, 2007, is a global company in auto-identification systems/products manufacturing and services. The Company was listed on the TPEx on November 26, 2008.

The consolidated financial statements are expressed in NT dollars, the Company’s functional currency.

II. Dates and procedures of approving financial reports

The consolidated financial reports were published on November 9, 2021 after approval by the Board of Directors.

III. Applicability of New and Modified Standards and Interpretations

- (I) First adoption of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) Interpretations recognized and promulgated by the Financial Supervisory Commission (collectively referred to “IFRSs”)

According to the consolidated company’s assessment, the adoption of the IFRSs recognized and promulgated in 2021 by the Financial Supervisory Commission will not cause material changes to the consolidated company’s accounting policies.

- (II) IFRSs published by International Accounting Standards Board (IASB), recognized by the Financial Supervisory Commission and applicable in 2022

Newly published/amended/revised standards and interpretations	IASB release and effective date
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022 (Note 1)

Newly published/amended/revised standards and interpretations	IASB release and effective date
IFRS 3 Amendment: Reference to the Conceptual Framework	January 1, 2022 (Note 2)
IAS 16 Amendment: Property, Plant and Equipment – Proceeds before Intended Use	January 1, 2022 (Note 3)
IAS 37 Amendment: Onerous Contracts: Cost of Fulfilling a Contract	January 1, 2022 (Note 4)

Note 1: The amended IFRS 9 is applicable to the exchange of financial liabilities or change of contractual terms during the annual reporting periods from January 1, 2022 onward; the amended IAS 41 Agriculture is applicable to the measurement of fair value during the annual reporting periods from January 1, 2022 onward; the amended IFRS 1 First-time Adoption of International Financial Reporting Standards applicable retrospectively to the annual reporting periods from January 1, 2022 onward.

Note 2: The amendment is applicable to business combinations with acquisition dates during the annual reporting period from January 1, 2022.

Note 3: The amendment is applicable to the property, plant and equipment to reach the necessary location and status expected by management for operation from January 1, 2021 onward.

Note 4: The amendment is applicable to the contracts with outstanding obligations from January 1, 2022 onward.

As of the date these consolidated financial reports were approved and released and according to the consolidated company's assessment, the adoption in 2022 of the amended standards and interpretations recognized by the Financial Supervisory Commission will not cause significant influence on its financial status or financial performance.

(III) IFRSs published by International Accounting Standards Board (IASB) but yet to be recognized by the Financial Supervisory Commission

Newly published/amended/revised standards and interpretations	IASB release and effective date (Note 1)
IFRS 10 and IAS 28 Amendment: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	TBD
IFRS 17 Insurance Contracts	January 1, 2023
IFRS 17 Amendment	January 1, 2023
IAS 1 Amendment: Classification of Liabilities as Current or Non-current	January 1, 2023
IAS 1 Amendment: Disclosure of Accounting Policies	January 1, 2023 (Note 2)
IAS 8 Amendment: Definition of Accounting Estimates	January 1, 2023 (Note 3)
IAS 12 Amendment: Deferred Tax related to Assets and Liabilities arising from a Single Transactions	January 1, 2023 (Note 4)

Note 1: Unless otherwise indicated, the abovementioned newly published, amended or revised standards and interpretations shall take effect on annual reporting periods after respective dates.

Note 2: The adoption of this amendment is delayed to the annual reporting periods from January 1, 2023 onward.

Note 3: The amendment is applicable to the changes of accounting estimates and accounting policies during the annual reporting periods from January 1, 2023 onward.

Note 4: The amendment is applicable to the transactions after January 1, 2022 except for temporary differences in relation to leases and decommissioning obligations on January 1, 2022 recognized as deferred income taxes.

As of the date these consolidated financial reports were approved and released, the consolidated company continued to assess the impact of other amended standards and interpretations on its financial status and financial performance. The relevant effects shall be disclosed once the assessment has been completed.

IV. Summary of Material Accounting Policies

(I) Statement of Compliance

These consolidated financial statements were prepared according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standards (IAS) 34 Interim Financial Reporting recognized and promulgated by the Financial Supervisory Commission. These consolidated financial statements did not include all the information required for disclosure by the IFRSs for the entire year.

(II) Basis of Preparation

These consolidated financial statements were prepared according to historical costs except for the financial instruments measured at fair value and the net defined benefit liability calculated with the present value of the defined benefit obligation less the fair value of the asset plan.

The measurement of fair values can be classified into Level 1, Level 2 and Level 3 according to the level of observability and importance of relevant inputs.

1. Level 1 inputs: (unadjusted) quoted prices for identical assets or liabilities in active and liquid markets.
2. Level 2 inputs: input values of assets or liabilities observable directly (i.e., prices) or indirectly (i.e., inferred prices) other than Level 1 quoted prices.
3. Level 3 inputs: unobservable inputs for assets or liabilities.

(III) Basis of Consolidation

These consolidated financial statements include the Company and the entities (subsidiaries) controlled by the Company. The consolidated comprehensive income statement has included the profit and loss of the subsidiary(ies) acquired from the date of acquisition in this period. The financial statements of subsidiaries have been adjusted so that their accounting policies are consistent with the consolidated company. All the transactions, account balances, incomes and gains, expenses and losses

among individual entities have been canceled out in the preparation of the consolidated financial statements. The comprehensive incomes of subsidiaries are attributable to the shareholders of the Company.

Please refer to Note 11 and Table 7 for a detailed list of the subsidiaries, shareholding percentages in these subsidiaries and their businesses.

(IV) Other major accounting policies

In addition to the following explanations, please refer to the summary of the major accounting policies for 2020 consolidated financial statements.

1. Defined benefits

Interim pension costs from the beginning of the year to the end of the reporting period are calculated with the discount rate determined actuarially on the closing date of the prior year and adjusted by reflecting significant market volatility, major plan changes, repayments or other material one-offs.

2. Income taxes

Income tax expenses are the aggregate of the income taxes and deferred taxes during the period. Interim income taxes are assessed on an annualized basis, by applying the effective tax rate on the expected annual earnings to the interim profits before tax.

V. Key Sources of Uncertainty in Significant Accounting Judgements, Estimates and Assumptions

With regard to the adoption of accounting policies by the consolidated company, management must make judgments, estimates and assumptions based on historical experience and other relevant factors if relevant information is not readily available from other sources. The actual outcome may be different from the estimates.

The consolidated company incorporates the potential near-term influence of COVID-19 on Taiwan's development and economic environment into the major accounting estimates such as cash flows, growth, discount rates and profitability. Management will continue to review these estimates and assumptions. If an estimated change only affects the current period, the change

shall be recognized during the period. If a change of accounting estimates affects both the current and future periods, the change shall be recognized during the current and future periods.

Please refer to the explanations about the main sources of uncertainty with major accounting judgments, estimates and assumptions in the 2020 consolidated financial statements.

VI. Cash and Cash Equivalents

	September 30, 2021	December 31, 2020	September 30, 2020
Vault cash and petty cash	\$ 70	\$ 90	\$ 427
Bank checks and demand deposits	1,259,726	1,190,560	933,609
Cash equivalents			
Fixed-term bank deposits with original maturity within three months	61,525	117,289	200,000
	<u>\$ 1,321,321</u>	<u>\$ 1,307,939</u>	<u>\$ 1,134,036</u>

The market prevalent interest rates of fixed-term bank deposits as of the end of the reporting period are as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Fixed-term deposits	0.37%~2.30%	0.37%~2.70%	0.37%~0.41%

VII. Financial instruments measured at fair value through profit or loss

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial Assets - Current</u>			
Designated at fair value through profit or loss			
Derivatives (non-hedging)			
- Currency forward contracts (1)	\$ 1,441	\$ 477	\$ 1,421
- Currency swaps (2)	335	457	1,047
	<u>\$ 1,776</u>	<u>\$ 934</u>	<u>\$ 2,468</u>

Financial Liabilities –

Current

Held for trading

Derivatives

(non-hedging)

- Currency

forward

contracts (1)

\$ 775

\$ 3,235

\$ -

- Currency

swaps (2)

49

-

\$ 824

\$ 3,235

\$ -

- (I) A summary of the outstanding currency forward contracts not under hedge accounting as of the balance sheet date is as follows:

September 30, 2021

	<u>Currency</u>	<u>Maturity</u>	<u>Nominal value (NT\$ thousand)</u>
Short forwards	Euro to NTD	October 8, 2021	EUR 2,000 /NTD 65,558
	USD to NTD	October 8, 2021 to October 22, 2021	USD 6,000 /NTD 166,339
	Euro to USD	November 19, 2021	EUR 1,000 /USD 1,182

December 31, 2020

	<u>Currency</u>	<u>Maturity</u>	<u>Nominal value (NT\$ thousand)</u>
Short forwards	Euro to NTD	March 24, 2021 to April 26, 2021	EUR 2,000 /NTD 68,785
	USD to NTD	March 5, 2021 to April 8, 2021	USD 11,000 /NTD 310,549

September 30, 2020

	<u>Currency</u>	<u>Maturity</u>	<u>Nominal value (NT\$ thousand)</u>
Short forwards	Euro to NTD	November 6, 2020	EUR 1,000 /NTD 34,643
	USD to NTD	October 7, 2020 to November 6, 2020	USD 4,000 /NTD 117,384

The consolidated company primarily engages in currency forward transactions to hedge the risks associated with exchange rate fluctuations for assets and liabilities denominated in foreign currencies.

(II) A summary of the outstanding currency swap contracts not under hedge accounting as of the end of the reporting period is as follows:

September 30, 2021

	Nominal value (NT\$ thousand)	Exercise exchange rates	Maturity
Currency swaps	USD 3,000/NTD 83,550	27.850	October 18, 2021
	NTD 83,264//USD 3,000	27.700-27.782	October 8, 2021 to November 30, 2021

December 31, 2020

	Nominal value (NT\$ thousand)	Exercise exchange rates	Maturity
Currency swaps	USD 3,000/NTD 85,980	28.660	January 13, 2021

September 30, 2020

	Nominal value (NT\$ thousand)	Exercise exchange rates	Maturity
Currency swaps	USD 3,000/NTD 88,425	29.475	October 13, 2020

The consolidated company primarily engages in currency swap transactions to hedge the risks associated with exchange rate fluctuations for assets denominated in foreign currencies.

VIII. Financial assets measured at fair value through other comprehensive incomes

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Equity Instrument</u>			
<u>Investments -</u>			
<u>Non-Current</u>			
Domestic investments			
TPEX-listed stocks	<u>\$ 881,280</u>	<u>\$ 845,920</u>	<u>\$ 550,120</u>

The consolidated company invests in ordinary shares listed on the TPEX for mid-to-long term strategic purposes and seeks to profit from long-term investments. The consolidated company's management does not think recognizing the short-term fair value volatility of such investments as profit or loss aligned with the long-term investment planning abovementioned.

Therefore, management decided to designate such investments measured at fair value through other comprehensive incomes.

IX. Notes and Accounts Receivable

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Receivables</u>			
Notes receivable	\$ -	\$ 153	\$ 66
Accounts receivable	1,338,079	1,118,781	938,644
Less: allowance for losses	(15,803)	(15,042)	(18,078)
Accounts receivable - affiliated parties (Note 26)	<u>22</u>	<u>8</u>	<u>-</u>
	<u>\$ 1,322,298</u>	<u>\$ 1,103,900</u>	<u>\$ 920,632</u>

Accounts receivable

The consolidated company's average credit period for products sold is 45 days after the issuance of invoices or 45 to 60 days based on monthly statements. Accounts receivable do not accrue interests. Before accepting new customers, the consolidated company assesses the credit quality of the potential customers and determines the credit allowance for such customers through internal credit evaluation procedures. The credit allowance and ratings for customers are periodically reviewed according to actual requirements. When determining the recoverability of accounts receivable, the consolidated company takes into account any change of the credit quality from the original credit date to the balance sheet date. It refers to past late payments and current financial statuses of counterparties. The unrecoverable amount of receivables is reviewed and estimated case by case in order to recognize an appropriate allowance for credit losses for the receivables that may not be recovered.

In addition to the recognition of allowance for credit losses for individual customers experiencing credit impairment, the consolidated company recognizes an allowance for expected credit loss during the lifetime of receivables. The consolidated company decides whether to categorize individual customers into different risk groups by considering past default records and current financial status of the customers and the economic and

business environment during the period. Lifetime expected credit losses are calculated according to the historical loss rates and reference to customers' default records. The consolidated company categorizes customers according to the countries and regions they are located and defines the expected credit loss rates by taking into account GDP forecasts and unemployment levels and the overdue days of accounts receivable. An allowance for losses will be recognized at 100% of any receivable overdue for more than one year and without any credit guarantees.

If there is evidence indicating a counterparty is in severe financial difficulty (such as in liquidation) and the consolidated company cannot reasonably expect to recover the amount, the consolidated company will write off the relevant receivables but will continue to pursue the payments. Any recovered amount will be recognized in profit or loss.

The consolidated company uses a provision matrix to measure the allowance for losses of receivables as follows:

September 30, 2021

	No sign of defaults						Sign of defaults	Total
	Not overdue	Overdue by 1-90 days	Overdue by 91-180 days	Overdue by 181-270 days	Overdue by 271-360 days	Overdue by 365 days		
Total account value	\$ 971,005	\$ 327,302	\$ 17,126	\$ 13,021	\$ 187	\$ 3,705	\$ 5,733	\$ 1,338,079
Allowance for losses (lifetime expected credit losses)	(<u>1,908</u>)	(<u>3,273</u>)	(<u>514</u>)	(<u>651</u>)	(<u>19</u>)	(<u>3,705</u>)	(<u>5,733</u>)	(<u>15,803</u>)
Amortized cost	<u>\$ 969,097</u>	<u>\$ 324,029</u>	<u>\$ 16,612</u>	<u>\$ 12,370</u>	<u>\$ 168</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,322,276</u>

December 31, 2020

	No sign of defaults						Sign of defaults	Total
	Not overdue	Overdue by 1-90 days	Overdue by 91-180 days	Overdue by 181-270 days	Overdue by 271-365 days	Overdue by 365 days		
Total account value	\$ 891,470	\$ 206,024	\$ 8,878	\$ 2,132	\$ 1,218	\$ 3,194	\$ 5,865	\$ 1,118,781
Allowance for losses (lifetime expected credit losses)	(<u>3,686</u>)	(<u>2,060</u>)	(<u>266</u>)	(<u>107</u>)	(<u>122</u>)	(<u>3,194</u>)	(<u>5,607</u>)	(<u>15,042</u>)
Amortized cost	<u>\$ 887,784</u>	<u>\$ 203,964</u>	<u>\$ 8,612</u>	<u>\$ 2,025</u>	<u>\$ 1,096</u>	<u>\$ -</u>	<u>\$ 258</u>	<u>\$ 1,103,739</u>

September 30, 2020

	No sign of defaults						Sign of defaults	Total
	Not overdue	Overdue by 1-90 days	Overdue by 91-180 days	Overdue by 181-270 days	Overdue by 271-360 days	Overdue by 365 days		
Total account value	\$ 760,449	\$ 161,097	\$ 4,112	\$ 1,758	\$ 3,812	\$ 1,133	\$ 6,283	\$ 938,644
Allowance for losses (lifetime expected credit losses)	(<u>8,719</u>)	(<u>1,611</u>)	(<u>123</u>)	(<u>88</u>)	(<u>381</u>)	(<u>1,133</u>)	(<u>6,023</u>)	(<u>18,078</u>)
Amortized cost	<u>\$ 751,730</u>	<u>\$ 159,486</u>	<u>\$ 3,989</u>	<u>\$ 1,670</u>	<u>\$ 3,431</u>	<u>\$ -</u>	<u>\$ 260</u>	<u>\$ 920,566</u>

Change to allowance of losses of receivables is as follows:

	January 1 to September 30, 2021	January 1 to September 30, 2020
Balance at the beginning of the period	\$ 15,042	\$ 14,227
Add: credit loss during the period	1,153	5,161
Less: actual charge-offs made in the period	-	(1,133)
Difference in foreign currency translation	(<u>392</u>)	(<u>177</u>)
Balance at the end of the period	<u>\$ 15,803</u>	<u>\$ 18,078</u>

X. Inventory

	September 30, 2021	December 31, 2020	September 30, 2020
Finished goods	\$ 348,432	\$ 309,536	\$ 362,839
Semi-finished goods	212,073	155,967	148,845
Work in process	55,835	10,216	29,609
Raw materials	503,979	303,495	301,621
Inventory in transit	<u>-</u>	<u>-</u>	<u>54</u>
	<u>\$ 1,120,319</u>	<u>\$ 779,214</u>	<u>\$ 842,968</u>

Cost of goods sold by nature:

	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021	January 1 to September 30, 2020
Inventory cost for sold goods	\$ 1,194,030	\$ 922,228	\$ 3,345,261	\$ 2,590,712
Inventory devaluation loss	<u>4,293</u>	<u>3,543</u>	<u>9,679</u>	<u>7,045</u>
	<u>\$ 1,198,323</u>	<u>\$ 925,771</u>	<u>\$ 3,354,940</u>	<u>\$ 2,597,757</u>

XI. Subsidiaries

(I) Subsidiaries in the consolidated statements

The entities covered by these consolidated financial statements are as follows:

Name of the investment company	Name of the subsidiary	Nature of the business	Shareholding percentage		
			September 30, 2021	December 31, 2020	September 30, 2020
The Company	TSC Auto ID (H.K.) Ltd. (TCHK)	Investment in production businesses and general imports/exports	100%	100%	100%
The Company	TSC Auto ID Technology EMEA GmbH (TSCAE)	Selling and buying of barcode printers and relevant components	100%	100%	100%
The Company	TSC Auto ID Technology America Inc. (TSCAA)	Selling and buying of barcode printers and relevant components	100%	100%	100%
The Company	Printronix Auto ID Technology Co., Ltd. ("Printronix Auto ID Technology")	Selling and buying of barcode printers and relevant components	100%	100%	100%
The Company and TSCAA	Printronix Auto ID Technology Inc. (PTNX US)	Selling and buying of barcode printers and relevant components	100%	100%	100%
The Company	Diversified Labeling Solutions, Inc. (DLS)	Printer consumables and customized design, integration, production and marketable of a variety of labels	100%	100%	100%
The Company	TSC Auto ID Technology India Private limited (TSCIN)	Selling and buying of barcode printers and relevant components	100%	-	-
TSC HK	Tianjin TSC Auto ID Technology Co., Ltd. (Tianjin TSC Auto ID Technology)	Production and marketing of barcode printers and relevant components	100%	100%	100%
TSC HK	Shenzhen Printronix Auto ID Technology Co., Ltd. (Shenzhen Printronix Auto ID Technology)	Selling and buying of barcode printers and relevant components	100%	100%	100%

TSCAE	TSC Auto ID Technology ME, Ltd. FZE (TSCAD)	Selling and buying of barcode printers and relevant components	100%	100%	100%
TSCAE	TSC Auto ID Technology Spain, S.L. (TSCAS)	Selling and buying of barcode printers and relevant components	100%	100%	100%
DLS	Precision Press & Label, Inc. (PPL)	Selling of a variety of labels and printer consumables	100%	100%	100%

The Company invested and established TSC Auto ID Technology India Private limited (TSCIN) in September 2021.

- (II) Subsidiaries not included in the consolidated financial statements: none.
- (III) Other information: The financial statements of the abovementioned subsidiaries included in the consolidated financial statements during the same period were reviewed by the Company's CPAs and other CPAs.

XII. Property, plant and equipment

	September 30, 2021	December 31, 2020	September 30, 2020
Land	\$ 225,340	\$ 225,340	\$ 225,340
Buildings and structures	267,442	275,957	276,081
Machinery and equipment	393,296	385,864	395,215
Other equipment	67,178	77,361	81,495
Equipment to be inspected	<u>51,868</u>	<u>8,232</u>	<u>3,192</u>
	<u>\$ 1,005,124</u>	<u>\$ 972,754</u>	<u>\$ 981,323</u>

Other than the recognized depreciation expenses, there was no significant purchase, disposal or impairment of the consolidated company's property, plant and equipment from January 1 to September 30, 2021 and from January 1 to September 30, 2020, respectively.

Depreciation is recognized in a straight line method according to following service lives:

Buildings and structures	
Offices	38-52 years
Factories and auxiliary equipment	17-37 years

Indoor decoration engineering	5 years
Machinery and molding equipment	3-20 years
Office and other equipment	1-20 years
Lease hold improvements	5-10 years
Transportation equipment	7 years

XIII. Lease agreements

(I) Right-of-use assets

	September 30, 2021	December 31, 2020	September 30, 2020
Carrying amount of right-of-use assets			
Buildings	\$ 256,202	\$ 273,285	\$ 295,979
Transportation equipment	<u>5,754</u>	<u>6,509</u>	<u>7,116</u>
	<u>\$ 261,956</u>	<u>\$ 279,794</u>	<u>\$ 303,095</u>
	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021
Purchase of right-of-use assets			<u>\$ 29,196</u>
Depreciation of right-of-use assets			<u>\$ 8,626</u>
Buildings	\$ 20,470	\$ 21,094	\$ 61,969
Transportation equipment	<u>1,052</u>	<u>1,094</u>	<u>3,060</u>
	<u>\$ 21,522</u>	<u>\$ 22,188</u>	<u>\$ 65,029</u>
Sublease incomes from right-of-use assets (rental incomes)	(<u>\$ 2,660</u>)	(<u>\$ 2,876</u>)	(<u>\$ 8,028</u>)
			<u>\$ 9,085</u>

Other than the above additions and recognized depreciation expenses, there was no significant addition, sublease, or impairment of the consolidated company's right-of-use assets from January 1 to September 30, 2021.

(II) Lease liabilities

	September 30, 2021	December 31, 2020	September 30, 2020
Carrying amount of lease liabilities			
Current	<u>\$ 102,872</u>	<u>\$ 80,462</u>	<u>\$ 82,154</u>
Non-current	<u>\$ 183,452</u>	<u>\$ 211,975</u>	<u>\$ 229,127</u>

The range of the discount rates for lease liabilities is as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Buildings	0.25%~6.25%	0.25%~6.25%	0.69%~6.25%
Transportation equipment	0.25%~2.20%	0.69%~2.20%	0.69%~2.20%

(III) Important activities and clauses as a lessee

The consolidated company rents certain buildings as offices and factories and transportation equipment as business vehicles. The lease period is 1-6 years. According to contracts, the rents for offices and warehouses in the U.S. are increased by 3% p.a. according to contracts.

The consolidated company entered into a factory lease agreement with Tianjin TEDA Science& Technology Development Group. Due to the severe impact of COVID-19 on the economy in 2020, Tianjin TEDA Science& Technology Development Group agreed to waive the rents from February 2020 to April 2020 without any conditions and halve the rents from May 2020 to July 2020. However, property management fees were required as usual. The consolidated company reduced the right-of-use assets by NT\$4,458 thousand according to the modified lease agreement and the difference resulting in the lease liability.

(IV) Other information on leases

	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021	January 1 to September 30, 2020
Short-term lease expenses	<u>\$ 297</u>	<u>\$ 274</u>	<u>\$ 947</u>	<u>\$ 820</u>
Low-value asset lease expenses	<u>\$ 2,342</u>	<u>\$ 2,166</u>	<u>\$ 6,103</u>	<u>\$ 6,935</u>
Total cash (outflow) for leases			<u>(\$ 68,726)</u>	<u>(\$ 83,871)</u>

The consolidated company chooses to exempt the recognition of office equipment leases qualified for short-term leases and low-value asset leases. In other words, no right-of-use assets or liabilities will be recognized for such leases.

XIV. Goodwill

	January 1 to September 30, 2021	January 1 to September 30, 2020
<u>Cost</u>		
Balance at the beginning of the period	\$ 981,239	\$ 1,032,919
Net exchange difference	(21,706)	(30,319)
Balance at the end of the period	<u>\$ 959,533</u>	<u>\$ 1,002,600</u>

Distribution of carrying amount of goodwill to the following cash generating units:

	September 30, 2021	December 31, 2020	September 30, 2020
Printer business	\$ 780,385	\$ 798,038	\$ 815,411
Label business	<u>179,148</u>	<u>183,201</u>	<u>187,189</u>
	<u>\$ 959,533</u>	<u>\$ 981,239</u>	<u>\$ 1,002,600</u>

XV. Other Intangible Assets

	September 30, 2021	December 31, 2020	September 30, 2020
Knowhow & technology	\$ 58,408	\$ 71,349	\$ 76,766
Customer relations	150,441	180,890	194,039
Patents	14,233	18,978	20,559
Software cost	<u>37,981</u>	<u>41,340</u>	<u>42,266</u>
	<u>\$ 261,063</u>	<u>\$ 312,557</u>	<u>\$ 333,630</u>

Other than the recognized amortization, there was no significant addition, disposal or impairment of the consolidated company's intangible assets from January 1 to September 30, 2021 and from January 1 to September 30, 2020, respectively.

Amortization is recognized in a straight line method according to following service lives:

Knowhow & technology	5-10 years
Customer relations	7-15 years
Patents	8 years
Software cost	1-10 years

XVI. Loans

(I) Short-term loans

	September 30, 2021	December 31, 2020	September 30, 2020
Unsecured loans	<u>\$ 1,253,838</u>	<u>\$ 794,994</u>	<u>\$ 657,560</u>
Annual interest rate (%)	0.46%~0.82%	0.42%~1.29%	0.46%~1.29%
Final maturity	110/12/22	110/3/26	109/12/24

(II) Long-term loans

	September 30, 2021	December 31, 2020	September 30, 2020
Unsecured loans (1)	\$ 700,000	\$ 1,030,000	\$ 1,415,000
Less: portion due within one year	(<u>35,000</u>)	(<u>4,000</u>)	(<u>110,000</u>)
	665,000	1,026,000	1,305,000
Government loans (2)	<u>-</u>	<u>-</u>	<u>29,670</u>
	<u>\$ 665,000</u>	<u>\$ 1,026,000</u>	<u>\$ 1,334,670</u>
Annual interest rate (%)	1.00%	0.93%~1.05%	0.93%~1.25%
Final maturity	July 22, 2024	September 23, 2023	September 23, 2023

1. To enhance mid-term working capital, the Company has signed loan agreements with different banks and paid interest incurred periodically. Before the expiry of contracts, short-term loans can be made within the revolving credit lines. There are no revolving credit lines for mid-term or long-term loans. The maturity dates above are based on the end dates of the loan periods. The covenant of the loans with Yuanta Commercial Bank requires the Company to maintain the following

financial ratios for annual and interim consolidated financial statements:

- (1) Current ratio no lower than 110%; liabilities/book value of tangible assets no higher than 300%;
 - (2) Book value of tangible assets above NT\$1.2 billion.
 - (3) Debt service coverage ratio (DSCR) not below 1x.
2. In response to the pandemic, the U.S. federal government passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). It established Paycheck Protection Program (PPP) to assist SMEs (small-and-medium enterprises) to maintain operational capabilities during the economic shutdown, continue to pay employee salaries and provide jobs.

The consolidated company's subsidiary in the U.S. obtained a loan of US\$1,020 thousand (or NT\$30,624 thousand) in April 2020 from a bank authorized by Small Business Administration (SBA) to pay employee salaries and relevant benefits. The loan will be forgiven if all the specific conditions are met. If not, the principal along with a 1% fixed interest rate should be repaid in full within two years. A PPP loan is forgiven if the following conditions are met:

- (1) For a loan obtained before June 5, 2020, the forgiven amount is the operating expenses (wages, rents, water and electricity, etc.) actually incurred over the eight-week extendible to 24 weeks) the covered period after the acquisition of the loan. However, at least 60% should be used for salaries and the remaining 40% may be used to fund operating expenses.
- (2) The average number of full-time employees (who work no less than 40 hours per week) during the covered period after the loan is made may not fall below the average number of full-time employees at any time from February 15, 2019 to June 30, 2019 or from January 1, 2020 to February 29, 2020.

(3) The salary reduction for each employee domiciled in the U.S. during the covered period may not exceed 25% of the salary from January 1, 2020 to March 31, 2020.

The consolidated company's subsidiary in the U.S. obtained the forgiven status for the PPP loan made in November 2020. It recognized the relief subsidy as an income in the 2020 consolidated financial statements.

XVII. Other payables

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Current</u>			
Salaries and bonuses payable	\$ 137,262	\$ 135,217	\$ 99,410
Employees' remuneration payable	32,907	38,697	25,300
Taxes payable	30,213	5,979	13,066
Directors' remuneration payable	24,680	29,023	18,975
Service fees payable	9,795	10,702	9,489
Insurance premiums payable	8,088	7,519	5,293
R&D expenses payable	4,688	11,448	5,940
Equipment amount payable	939	6,919	2,216
Others (Note 26)	<u>35,417</u>	<u>33,962</u>	<u>29,438</u>
	<u>\$ 283,989</u>	<u>\$ 279,466</u>	<u>\$ 209,127</u>

XVIII. Equity

(I) Ordinary share capital

	September 30, 2021	December 31, 2020	September 30, 2020
Authorized shares (thousand shares)	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>
Authorized share capital	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 800,000</u>
Issued shares (thousand shares)	<u>42,477</u>	<u>42,477</u>	<u>42,477</u>
Issued share capital	<u>\$ 424,769</u>	<u>\$ 424,769</u>	<u>\$ 424,769</u>

The face value per ordinary share issued is NT\$10. Each share is entitled to one voting right and one right to dividends.

(II) Capital surplus

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>May be used to offset losses, issue cash or appropriate to share capital (1)</u>			
Premium of share issuance	\$ 416,789	\$ 416,789	\$ 416,789
<u>May be used to offset losses only</u>			
Lapsed stock options	122,840	53,380	53,380
Exercised employee stock options	20,556	20,556	20,556
<u>May not be used for any purposes (2)</u>			
Employee stock options	<u>28,809</u>	<u>86,940</u>	<u>83,200</u>
	<u>\$ 588,994</u>	<u>\$ 577,665</u>	<u>\$ 573,925</u>

1. This type of capital surplus may be used to offset losses or to issue cash dividends or appropriate share capital in the absence of losses. Share capital appropriation is limited to a certain percentage of paid-in capital each year.
2. Capital surplus generated due to the issuance of employee stock options may not be used for any purposes.

(III) Retained earnings and dividend policy

According to the earnings distribution policy stated in the Company's Articles of Incorporation, any earnings for the year should be used to pay taxes according to laws, offset losses from prior years and then appropriate 10% as legal reserves and recognize or reverse any special reserves required by laws. The remaining balance, along with accumulative and undistributed earnings from the previous year, may be used for earnings distribution. However, a portion may be reserved for business needs before the issuance of dividends to shareholders. The Company is in a growth stage. To fund the future operation and development, the Board of Directors proposes the earnings distribution and the issuance of dividends to shareholders is proceeded after resolution from the shareholders' meeting. The Company's

policy regarding employees' remuneration and directors' remuneration is stated in the Articles of Incorporation. Please refer to Note 20 (7) for employees' remuneration and directors' remuneration.

According to the Company's Articles of Incorporation, the percentage of earnings to be distributed according to the resolution, in principle, may not fall below 10% of the distributable earnings for the year. Dividends may be issued in cash or with shares. The percentage of dividends distributed in cash may not fall below 10% of the total dividends. However, stock dividends will be issued in lieu of cash dividends below NT\$0.2 per share.

Appropriation to the legal reserve shall continue until the legal reserve reaches the same amount as the paid-in capital. The legal reserve may be used to offset losses. If the legal reserve exceeds 25% of the paid-in capital and there are no losses, the exceeding portion may be distributed in cash.

The Company recognizes and reverses the special reserve according to Financial-Supervisory-Securities-Corporate-1010012865, Financial-Supervisory-Securities-Corporate-1010047490, Financial-Supervisory-Securities-Corporate-1030006415 and "Questions Answered Regarding the Applicability of Recognition of Special Reserves After Adoption of International Financial Reporting Standards".

Appropriation of 2020 and 2019 earnings, as shown below, were resolved in the Company's shareholder meetings:

	Earnings distribution		Dividend per share (NT\$)	
	2020	2019	2020	2019
Legal reserve	\$ 71,715	\$ 75,674		
Cash dividends	<u>424,769</u>	<u>424,769</u>	\$ 10	\$ 10
	<u>\$ 496,484</u>	<u>\$ 500,443</u>		

(IV) Other equity

1. Exchange differences on translation of financial statements of foreign operations

	January 1 to September 30, 2021	January 1 to September 30, 2020
Balance at the beginning of the period	(\$ 233,777)	(\$ 165,699)
Incurred during the period		
Exchange differences on translation of financial statements of foreign operations	(62,995)	(58,590)
Relevant income taxes	<u>12,599</u>	<u>11,718</u>
Balance at the end of the period	<u>(\$ 284,173)</u>	<u>(\$ 212,571)</u>

2. Unrealized gain (loss) of financial assets measured at fair value through other comprehensive incomes

	January 1 to September 30, 2021	January 1 to September 30, 2020
Balance at the beginning of the period	\$ 424,411	\$ 271,303
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive incomes	<u>35,360</u>	(<u>142,692</u>)
Balance at the end of the period	<u>\$ 459,771</u>	<u>\$ 128,611</u>

XIX. Income

	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021	January 1 to September 30, 2020
Revenue from contracts with customers				
Barcode printers	\$ 1,056,868	\$ 846,779	\$ 2,923,427	\$ 2,220,099
Labels and printer consumables	594,612	486,286	1,745,396	1,437,592
Barcode printer components and others	<u>125,694</u>	<u>125,357</u>	<u>369,220</u>	<u>361,525</u>
	<u>\$ 1,777,174</u>	<u>\$ 1,458,422</u>	<u>\$ 5,038,043</u>	<u>\$ 4,019,216</u>

(I) Explanations of revenue from contracts with customers

The consolidated company primarily sells barcode printers and relevant components to China, Taiwan, other parts of Asia, Europe and the Americas.

According to the consolidated company's agreement with distributors, if the purchase of certain models by distributors reaches the contracted volume, the consolidated company will provide incentives at a percentage of the procurement value or retrospective unit price reductions for certain models. Based on past experiences and considering various agreement terms and conditions, the consolidated company estimates the possible rewards and incentives amount and recognizes refund liabilities (as other current liabilities) accordingly.

(II) Breakdown of revenue from contracts with customers

	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021	January 1 to September 30, 2020
<u>Main markets</u>				
Taiwan and other parts of Asia	\$ 320,072	\$ 194,434	\$ 801,712	\$ 532,923
China	253,117	253,249	761,698	588,347
Americas	784,645	695,671	2,337,928	2,044,247
Europe	<u>419,340</u>	<u>315,068</u>	<u>1,136,705</u>	<u>853,699</u>
	<u>\$ 1,777,174</u>	<u>\$ 1,458,422</u>	<u>\$ 5,038,043</u>	<u>\$ 4,019,216</u>

XX. Additional information about net income during the period

Net income during the period includes the following:

(I) Interest income

	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021	January 1 to September 30, 2020
Bank deposits	<u>\$ 2,254</u>	<u>\$ 818</u>	<u>\$ 4,499</u>	<u>\$ 2,512</u>

(II) Other incomes

	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021	January 1 to September 30, 2020
Dividend income	\$ -	\$ -	\$ 20,400	\$ 20,400
Rental incomes (Note 13)	2,660	2,876	8,028	9,085
Subsidies	-	4,958	-	5,934
Others	<u>6,083</u>	<u>3,236</u>	<u>10,575</u>	<u>5,778</u>
	<u>\$ 8,743</u>	<u>\$ 11,070</u>	<u>\$ 39,003</u>	<u>\$ 41,197</u>

(III) Other gains and losses

	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021	January 1 to September 30, 2020
Net exchange gain (loss)	\$ 5,208	(\$ 11,259)	\$ 5,315	(\$ 10,279)
Gain from financial instruments measured at fair value through profit or loss	2,975	2,125	6,624	6,817
Loss from disposal of property, plant and equipment	(761)	(6)	(1,173)	(214)
Other losses	<u>(476)</u>	<u>(1,982)</u>	<u>(1,451)</u>	<u>(5,041)</u>
	<u>\$ 6,946</u>	<u>(\$ 11,122)</u>	<u>\$ 9,315</u>	<u>(\$ 8,717)</u>

(IV) Financial cost

	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021	January 1 to September 30, 2020
Bank loan interests	\$ 4,410	\$ 4,464	\$ 11,527	\$ 17,879
Lease liability interests	<u>2,904</u>	<u>3,263</u>	<u>8,627</u>	<u>10,465</u>
	<u>\$ 7,314</u>	<u>\$ 7,727</u>	<u>\$ 20,154</u>	<u>\$ 28,344</u>

(V) Depreciation and amortization

	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021	January 1 to September 30, 2020
Property, plant and equipment	\$ 23,320	\$ 25,544	\$ 70,522	\$ 75,429
Right-of-use assets	21,522	22,188	65,029	66,467
Intangible assets	<u>18,656</u>	<u>19,119</u>	<u>56,129</u>	<u>57,509</u>
	<u>\$ 63,498</u>	<u>\$ 66,851</u>	<u>\$ 191,680</u>	<u>\$ 199,405</u>
Deprecation by function				
Operating costs	\$ 30,876	\$ 32,933	\$ 92,412	\$ 98,244
Operating expenses	<u>13,966</u>	<u>14,799</u>	<u>43,139</u>	<u>43,652</u>
	<u>\$ 44,842</u>	<u>\$ 47,732</u>	<u>\$ 135,551</u>	<u>\$ 141,896</u>
Amortization by function				
Operating costs	\$ 156	\$ 56	\$ 403	\$ 164
Operating expenses	<u>18,500</u>	<u>19,063</u>	<u>55,726</u>	<u>57,345</u>
	<u>\$ 18,656</u>	<u>\$ 19,119</u>	<u>\$ 56,129</u>	<u>\$ 57,509</u>

(VI) Employee benefit expenses

	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021	January 1 to September 30, 2020
Shor-term employee benefits	\$ 329,671	\$ 247,265	\$ 937,512	\$ 784,310
Retirement benefits				
Defined contributions	10,131	7,115	29,352	21,680
Defined benefits	44	78	133	235
Share-based payment (Note 23)				
Equity settled	3,735	3,740	11,329	5,033
Other employee benefits	<u>11,682</u>	<u>8,803</u>	<u>33,716</u>	<u>30,229</u>
Total employee benefit expenses	<u>\$ 355,263</u>	<u>\$ 267,001</u>	<u>\$ 1,012,042</u>	<u>\$ 841,487</u>
Summary by function				
Operating costs	\$ 152,807	\$ 97,531	\$ 418,697	\$ 330,236
Operating expenses	<u>202,456</u>	<u>169,470</u>	<u>593,345</u>	<u>511,251</u>
	<u>\$ 355,263</u>	<u>\$ 267,001</u>	<u>\$ 1,012,042</u>	<u>\$ 841,487</u>

(VII) Employees' remuneration and directors' remuneration

In case of profits during the year, the Company shall allocate at least 2% but no more than 10% of the profits as employees' remuneration. Eligible

employees include the employees working for controlled or subordinated companies and meeting certain criteria defined by the Board of Directors. The Company may allocate up to 5% of the abovementioned profits as directors' remunerations according to the decision by the Board of Directors. The proposal for distribution of employees' remuneration and directors' remuneration should be reported to the shareholders' meeting. In case of accumulated losses, profits should be used to offset the losses before distributing the aforesaid percentage as employees' remuneration and directors' remuneration. The estimated and recognized employees' remuneration and directors' remuneration from July 1 to September 30, 2021 and from July 1 to September 30, 2020, respectively, and from January 1 to September 30, 2021 and from January 1 to September 30, 2020, respectively, are as follows:

Estimated and recognized percentage

	January 1 to September 30, 2021	January 1 to September 30, 2020
Employees' remuneration	4.0%	4.0%
Directors' remuneration	3.0%	3.0%

Amount

	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021	January 1 to September 30, 2020
Employees' remuneration	<u>\$ 11,456</u>	<u>\$ 10,337</u>	<u>\$ 32,907</u>	<u>\$ 25,300</u>
Directors' remuneration	<u>\$ 8,592</u>	<u>\$ 7,753</u>	<u>\$ 24,680</u>	<u>\$ 18,975</u>

In case of changes in the amounts after the approval and publication of annual consolidated financial statements, the difference shall be treated as changes in accounting estimates and recognized during the following year.

The employees' remuneration and directors' remuneration for 2020 and 2019 as determined by the Board of Directors on March 22, 2021 and March 25, 2020, respectively, are as follows:

	<u>2020</u>	<u>2019</u>
Employees' remuneration	\$ 38,697	\$ 40,708
Directors' remuneration	<u>29,023</u>	<u>30,531</u>
	<u>\$ 67,720</u>	<u>\$ 71,239</u>
Amounts recognized in financial statements	<u>\$ 67,720</u>	<u>\$ 71,239</u>

The information about the Company's employees' remuneration and directors' remuneration as determined by the Board of Directors is available on Taiwan Stock Exchange's Market Observation Post System.

(VIII) Gain/loss on foreign currency exchange

	<u>July 1 to September 30, 2021</u>	<u>July 1 to September 30, 2020</u>	<u>January 1 to September 30, 2021</u>	<u>January 1 to September 30, 2020</u>
Total exchange gain	\$ 25,632	\$ 38,237	\$ 75,628	\$ 90,216
Total exchange loss	(<u>20,424</u>)	(<u>49,496</u>)	(<u>70,313</u>)	(<u>100,495</u>)
Net gain (loss)	<u>\$ 5,208</u>	<u>(\$ 11,259)</u>	<u>\$ 5,315</u>	<u>(\$ 10,279)</u>

XXI. Income taxes

(I) Income taxes recognized in profit and loss

The primary components of income tax expenses are as follows:

	<u>July 1 to September 30, 2021</u>	<u>July 1 to September 30, 2020</u>	<u>January 1 to September 30, 2021</u>	<u>January 1 to September 30, 2020</u>
Income tax during the period				
Incurred during the period	\$ 63,223	\$ 46,067	\$ 175,767	\$ 131,673
Tax on undistributed earnings	-	-	11,033	12,815
Adjustment for the previous year	<u>102</u>	<u>60</u>	(<u>1,296</u>)	(<u>3,394</u>)
	63,325	46,127	185,504	141,094
Deferred income tax				
Incurred during the period	<u>12,862</u>	<u>24,128</u>	<u>42,175</u>	<u>24,205</u>
Income tax expenses recognized in profit and loss	<u>\$ 76,187</u>	<u>\$ 70,255</u>	<u>\$ 227,679</u>	<u>\$ 165,299</u>

The income tax rate is 20% for profit-seeking enterprises and the tax rate on undistributed earnings is 5% in Taiwan. The subsidiaries in China are subject to a 25% tax rate, in the U.S. to a 26%-28% tax rate and in Germany

about 30%. The tax rates in other jurisdictions are based on the local tax rates applicable.

(II) Income tax assessment

The business income tax filings from the Company and the Company's subsidiaries in Taiwan as profit-seeking enterprises up to 2019 have been assessed by the tax authorities.

XXII. Earnings per Share

	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021	January 1 to September 30, 2020
Basic earnings per share	<u>\$ 4.98</u>	<u>\$ 4.51</u>	<u>\$ 14.12</u>	<u>\$ 10.84</u>
Diluted earnings per share	<u>\$ 4.95</u>	<u>\$ 4.50</u>	<u>\$ 14.02</u>	<u>\$ 10.78</u>

The earnings and the weighted average number of ordinary shares for the calculation of earnings per share are as follows:

Net income for the period

	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021	January 1 to September 30, 2020
Net income attributable to the shareholders of the Company	<u>\$ 211,742</u>	<u>\$ 191,682</u>	<u>\$ 599,794</u>	<u>\$ 460,435</u>
Net income used for the calculation of earnings per share	<u>\$ 211,742</u>	<u>\$ 191,682</u>	<u>\$ 599,794</u>	<u>\$ 460,435</u>

No. of shares

Unit: thousand shares

	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021	January 1 to September 30, 2020
Weighted average number of ordinary shares used for the calculation of earnings per share	42,477	42,477	42,477	42,477
Effects of dilutive potential ordinary shares:				
Employee stock options	129	-	94	-
Employees' remuneration	<u>161</u>	<u>143</u>	<u>214</u>	<u>216</u>
Average weighted number of ordinary shares used for the calculation of dilutive earnings per share	<u>42,767</u>	<u>42,620</u>	<u>42,785</u>	<u>42,693</u>

The consolidated company can opt to issue employees' remuneration with shares or in cash. The calculation of diluted earnings per share should assume the remuneration is paid with shares. The dilute potential ordinary shares should be included in the weighted average number of shares outstanding for the calculation of diluted earnings per share. The calculation of diluted earnings per share before the decision on the issuance of shares as employees' remuneration in the following year should also take into account the effects of dilutive ordinary shares.

The outstanding employee stock options were anti-dilutive due to the exercise price higher than the average market price from July 1 to September 30, 2020 and from January 1 to September 30, 2021, and from January 1 to September 30, 2020. Hence, these options were not included in the calculation of diluted earnings per share.

XXIII. Shares-based Payment Agreement

The Company granted 57 units and 943 units of employee stock options in April 2021 and July 2020 respectively. Each option can subscribe to 1,000 ordinary shares. These options were issued to the employees working for the Company and the subsidiaries and meeting certain criteria. The time to maturity of these options is five years. The exercisable percentages in different years are as follows:

- (I) Up to 50% on the day following two years in issuance.
- (II) Up to 75% on the day following three years in issuance.
- (III) Up to 100% on the day following four years in issuance.

The exercise price is the closing price of the Company's ordinary shares on the day of issuance. The exercise price shall be adjusted according to the formula in case of change in the Company's ordinary shares.

The information on employee stock options is as follows:

Employee stock options	January 1 to September 30, 2021		January 1 to September 30, 2020	
	Unit	Weighted average exercise price (NT\$)	Unit	Weighted average exercise price (NT\$)
Outstanding at the beginning of the period	1,742	\$ 178.5-211.6	854	\$ 223.5
Granted during the period	57	217.5	943	188.5
Given up due to departure	(45)	-	(45)	-
Expired during the period	(809)	-	-	-
Outstanding at the end of the period	<u>945</u>	170.8-208.1	<u>1,752</u>	178.5-211.6
Exercisable at the end of the period	<u>-</u>	-	<u>809</u>	211.6
Weighted average fair value of the granted stock options during the period (NT\$)	<u>\$ -</u>		<u>\$ -</u>	

As of the balance sheet date, the information of the employee stock options outstanding is as follows:

Range of exercise prices (NT\$)	Employee stock options outstanding	
	No. of units	Weighted average time to maturity (years)
<u>September 30, 2021</u>		
\$ 170.8	918	3.75
\$ 208.1	27	4.52
<u>December 31, 2020</u>		
\$ 178.5	933	4.50
\$ 211.6	809	0.23
<u>September 30, 2020</u>		
\$ 178.5	943	4.48
\$ 211.6	809	0.48

The valuation of the employee stock options granted in April 2021 and July 2020 is based on the Black-Scholes model, with the inputs as follows:

	<u>April 2021</u>	<u>July 2020</u>
Share price on granted day	NT\$217.5	NT\$188.5
Exercise price	NT\$217.5	NT\$188.5
Expected volatility	29.98%~31.14%	31.40%~32.52%
Time to maturity	3.5-4.5 years	3.5-4.5 years
Expected dividend yield	0%	0%
Risk-free rate	0.26%~0.30%	0.33%~0.36%

The expected volatility is the annualized standard deviation of the historical returns over the time period equivalent to time to maturity.

The remuneration costs recognized from July 1 to September 30, 2021, from July 1 to September 30, 2020, from January 1 to September 30, 2021, and from January 1 to September 30, 2020 are NT\$3,735 thousand, NT\$3,740 thousand, NT\$11,329 thousand and NT\$5,033 thousand, respectively.

XXIV. Capital Risk Management

The policy adopted by the Board of Directors seeks to sustain a robust capital structure, maintain the confidence from investors, creditors and the market and support the operational development going forward. The capital management of the consolidated company intends to protect the going concern capability, continue to create shareholder returns and other stakeholders' interest, maintain the optimal capital structure and reduce the cost of capital.

To maintain or adjust the capital structure, the consolidated company may adjust shareholders' dividends, reduce capital by returning funds to shareholders, issue new shares, repurchase shares, raise new debts, or repay existing debts.

The consolidated company controls and manages the capital structure based on the liability ratio. This ratio is calculated by dividing total liabilities by total assets. The consolidated company adopts a capital management strategy to keep the liability ratio at no more than 60%, and thereby ensures access to funding at reasonable a cost. The liability ratios for different time periods are as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Total liabilities	<u>\$ 3,945,336</u>	<u>\$ 3,552,206</u>	<u>\$ 3,637,397</u>
Total equity	<u>\$ 3,722,533</u>	<u>\$ 3,551,215</u>	<u>\$ 3,016,169</u>
Total assets	<u>\$ 7,667,869</u>	<u>\$ 7,103,421</u>	<u>\$ 6,653,566</u>
Liability ratio	<u>51.45%</u>	<u>50.00%</u>	<u>54.67%</u>

XXV. Financial Instruments

(I) Fair value – recurring fair value measurement of financial instruments

1. Fair value hierarchy

September 30, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u> <u>measured at fair</u> <u>value through</u> <u>profit or loss</u>				
Derivatives	<u>\$ -</u>	<u>\$ 1,776</u>	<u>\$ -</u>	<u>\$ 1,776</u>

Financial assets
measured at fair
value through
other
comprehensive
incomes
Marketable securities
listed on TPEX
-Equity
investment

	<u>\$ 881,280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 881,280</u>
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Financial liabilities
measured at fair
value through
profit or loss

Derivatives	<u>\$ -</u>	<u>\$ 824</u>	<u>\$ -</u>	<u>\$ 824</u>
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December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u> <u>measured at fair</u> <u>value through</u> <u>profit or loss</u>				
Derivatives	<u>\$ -</u>	<u>\$ 934</u>	<u>\$ -</u>	<u>\$ 934</u>

<u>Financial assets</u> <u>measured at fair</u> <u>value through</u> <u>other</u> <u>comprehensive</u> <u>incomes</u>				
Marketable securities listed on TPEX -Equity investment	\$ 845,920	\$ -	\$ -	\$ 845,920

<u>Financial liabilities</u> <u>measured at fair</u> <u>value through</u> <u>profit or loss</u>				
Derivatives	\$ -	\$ 3,235	\$ -	\$ 3,235

September 30, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets</u> <u>measured at fair</u> <u>value through</u> <u>profit or loss</u>				
Derivatives	\$ -	\$ 2,468	\$ -	\$ 2,468

<u>Financial assets</u> <u>measured at fair</u> <u>value through</u> <u>other</u> <u>comprehensive</u> <u>incomes</u>				
Marketable securities listed on TPEX -Equity investment	\$ 550,120	\$ -	\$ -	\$ 550,120

There was no transfer between Level 1 and Level 2 fair values from January 1 to September 30, 2021 and from January 1 to September 30, 2020.

2. Level 2 fair values – valuation techniques and input values

Types of financial instruments	Valuation techniques and input values
Derivatives – currency forwards and currency swaps	Discounted cash flows: Future cash flows are estimated based on observable forward exchange rates and contract rates at the end of the period and discounted with a rate reflective of credit risks of counterparties.

(II) Types of financial instruments

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial Assets</u>			
Measured at fair value through profit or loss			
Designated at fair value through profit or loss	\$ 1,176	\$ 934	\$ 2,468
Financial assets measured at amortized cost (Note 1)	2,666,443	2,427,376	2,076,583
Financial assets measured at fair value through other comprehensive incomes - equity instrument investments	881,280	845,920	550,120
<u>Financial Liabilities</u>			
Measured at fair value through profit or loss			
Held for trading	824	3,235	-
Measured at amortized cost (Note 2)	2,772,120	2,441,740	2,591,096

Note 1: The balance includes financial assets measured at amortized cost such as cash and cash equivalents, notes receivable, accounts receivable and other receivables.

Note 2: The balance includes financial liabilities measured at amortized costs such as short-term loans, accounts payable, other payables and long-term loans.

(III) Financial risk management objectives and policy

The financial risk management by the consolidated company is to manage the market risks (including exchange rate risks, interest rate risks and other price risks), credit risks and liquidity risks associated with operational activities. To reduce relevant financial risks, the consolidated company strives to identify, assess and hedge market uncertainty to mitigate the potential and adverse impact of market changes on the financial performance.

The consolidated company's important financing activities are reviewed by the Board of Directors and Audit Committee according to relevant regulations and the internal control system.

1. Market risks

The primary financial risks that the consolidated company is exposed to due to operating activities are foreign exchange rate risks (Note 1) and interest rate risks (Note 2). The company engages in certain derivatives transactions to manage the foreign exchange risks and interest rate risks. Currency forwards and currency swaps are the main instrument to hedge exchange rate risks incurred by exporting barcode printers to Europe and Americas.

There has been no change in the consolidated company's risk exposure in the financial instrument market and methods to manage and measure such exposure.

(1) Exchange rate risks

The consolidated company manages exchange rate risks by using currency forwards and currency swaps within the range allowed by policy.

Please refer to Note 28 for the carrying amounts of monetary assets and monetary liabilities denominated in non-functional

currencies (including monetary items cancelled out in the consolidated financial statements) on the balance sheet date.

Sensitivity Analysis

The consolidated company is primarily subject to the exchange rate volatility of the US dollars, the Euro, Chinese yuan, and Japanese yen.

The table below details the consolidated company's sensitivity analysis of the impact when the NT dollars (functional currency) appreciates and depreciates by 3% against different foreign currencies. Positive numbers in the table below indicate the amount increased in profits before tax, with the NT dollars depreciating by 3% against different currencies. Negative numbers indicate the amount decreased in profits before tax, with the NT dollars appreciating by 3% against different currencies.

	Gains and losses	
	January 1 to September 30, 2021	January 1 to September 30, 2020
USD	\$ 6,830 (i)	\$ 13,692 (i)
Euro	5,853 (ii)	5,842 (ii)
CNY	(1,895) (iii)	1,293 (iii)
JPY	(1,599) (iv)	(626) (iv)

- (i) This is primarily due to the consolidated company's accounts receivable, bank deposits, short-term loans, and accounts payable denominated in the US dollars and outstanding on the balance sheet date, without hedged cash flows.
- (ii) This is primarily due to the consolidated company's bank deposits, short-term loans, and accounts receivable denominated in Euro and outstanding on the balance sheet date, without hedged cash flows.
- (iii) This is primarily due to the consolidated company's accounts payable, accounts receivable and bank deposits denominated

in Chinese yuan and outstanding on the balance sheet date, without hedged cash flows.

(iv) This is primarily due to the consolidated company's accounts payable and bank deposits denominated in Japanese yen and outstanding on the balance sheet date, without cash flows hedged.

(2) Interest rate risks

The carrying amounts of the consolidated company's financial assets and financial liabilities exposed to interest rate risks on the balance sheet date are as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Fair value interest rate risks			
- Financial assets	\$ 61,525	\$ 67,289	\$ 200,000
- Financial liabilities	1,540,162	930,791	1,113,511
Cash flow interest rate risks			
- Financial assets	1,162,148	1,155,165	839,915
- Financial liabilities	700,000	1,186,640	1,300,000

The consolidated company is exposed to fair value interest rate risks due to its position of fixed-rate fixed-term bank deposits, bank loans and lease liabilities. The consolidated company is exposed to cash flow interest rate risks due to its position of floating-rate demand bank deposits, fixed-term bank deposits and bank loans.

Sensitivity Analysis

The sensitivity analysis below is based on the interest rate exposure of non-derivatives on the balance sheet date. It is assumed that all the floating rate liabilities on the balance sheet date are outstanding throughout the reporting period.

If the interest rate increases/decreases by 100 basis points and all other variables are unchanged, the consolidated company's profits before tax will increase/decrease by NT\$(3,466) thousand and decrease/increase by NT\$3,451 thousand from January 1 to September 30, 2021 and from January 1 to September 30, 2020, respectively, primarily due to floating-rate bank deposits and bank loans.

The consolidated entity became less sensitive to interest rates this year mainly due to an increase in variable-interest financial liabilities.

(3) Other price risks

The consolidated company is exposed to equity price risks due to its position of TPEX-listed equity securities. The equity investments are not held for trading but for strategic purposes. The consolidated company does not actively trade such investments.

Price Sensitivity Analysis

The sensitivity analysis below is based on the equity price exposure on the balance sheet date.

If the equity price goes up/down by 1%, the other comprehensive incomes net of tax will increase/decrease by NT\$8,813 thousand and by NT\$5,501 thousand from January 1 to September 30, 2021 and from January 1 to September 30, 2020, respectively, due to change in the fair value of financial assets measured at fair value through other comprehensive incomes.

The consolidated company's rising sensitivity to price risks during this period is primarily due to an increase in the fair value of investees.

2. Credit risks

Credit risks are the consolidated company's risks of financial losses due to the counterparties' delay in honoring contractual obligations.

The consolidated company's credit risks primarily come from the cash generated from operating activities, bank deposits, accounts receivable and other financial instruments in investing activities.

Financial credit risks

The consolidated company controls the risk exposure to every financial institution. Bank deposits are with financial institutions of good credits and without major contract performance concerns. Therefore, there are no material credit risks.

Credit risks associated with operations

To reduce credit risks, the consolidated company establishes a credit policy for continued assessment of customers' financial statuses and transaction records. However, no security or guarantee from customers is required. To mitigate credit risks, the consolidated company's management implements other monitoring procedures to ensure the adoption of appropriate actions for the recovery of overdue receivables. Meanwhile, the consolidated company reviews the recoverable amount of each receivable on the balance sheet date to recognize appropriate credit loss for the unrecoverable receivables. Hence, the Company's management does not think there are major credit risks for the consolidated company.

The top ten customers accounted for 34% and 31% of the consolidated company's operating incomes from January 1 to September 30, 2021 and from January 1 to September 30, 2020, respectively. To lower the credit risks, the consolidated company periodically assesses the financial statuses of customers and the recoverability of accounts receivable and recognizes appropriate allowance for losses accordingly.

3. Liquidity risks

The consolidated company manages and maintains sufficient cash and cash equivalents to support operations and mitigate the impact of cash flow volatility. To control liquidity risks, the consolidated

company's management keeps a close eye on the utilization of credit lines with banks to ensure adherence to the borrowing terms and conditions. The consolidated company's current capital is adequate to meet the due liabilities. It is unlikely that the consolidated company is unable to repay financial liabilities or honor relevant obligations in cash or with other financial assets. Please refer to (3) Credit Facilities for the available credit lines as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

(1) Table of Liquidity and Interest Rate Risks of Non-Derivative Financial Liabilities

The table below details the maturities of the consolidated company's non-derivative financial liabilities with repayment periods agreed. The analysis is based on the earliest possible repayment dates required and undiscounted cash flows of financial liabilities (including principals and estimated interests). In other words, the earliest and immediate repayment dates required by banks for loans are listed below, without considering the probabilities of banks immediately exercising such rights. The maturity analysis for other non-derivative financial liabilities is produced in reference to the agreed repayment dates.

September 30, 2021

	<u>Within 3 months</u>	<u>3 months to 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>				
Non-interest				
bearing liabilities	\$ 818,282	\$ -	\$ -	\$ -
Lease liabilities	16,932	95,372	194,083	58
Floating interest				
rate instruments	174	35,000	665,000	-
Fixed interest rate				
instruments	<u>1,254,454</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$2,089,842</u>	<u>\$ 130,372</u>	<u>\$ 859,083</u>	<u>\$ 58</u>

Further information on the lease liability maturities is as follows:

	Shorter than 1 year	1-5 years	5-10 years
Lease liabilities	<u>\$ 112,304</u>	<u>\$ 194,083</u>	<u>\$ 58</u>

December 31, 2020

	Within 3 months	3 months to 1 year	1-5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Non-interest				
bearing liabilities	\$ 616,746	\$ -	\$ -	\$ -
Lease liabilities	18,670	75,030	214,025	-
Floating interest				
rate instruments	156,859	4,000	1,026,000	-
Fixed interest rate				
instruments	<u>638,962</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$1,431,237</u>	<u>\$ 79,030</u>	<u>\$1,240,025</u>	<u>\$ -</u>

Further information on the lease liability maturities is as follows:

	Shorter than 1 year	1-5 years	5-10 years
Lease liabilities	<u>\$ 93,700</u>	<u>\$ 214,025</u>	<u>\$ -</u>

September 30, 2020

	Within 3 months	3 months to 1 year	1-5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Non-interest				
bearing liabilities	\$ 488,866	\$ -	\$ -	\$ -
Lease liabilities	16,446	78,903	247,096	-
Floating interest				
rate instruments	-	110,000	1,190,000	-
Fixed interest rate				
instruments	<u>658,202</u>	<u>-</u>	<u>144,670</u>	<u>-</u>
	<u>\$1,163,514</u>	<u>\$ 188,903</u>	<u>\$1,581,766</u>	<u>\$ -</u>

Further information on the lease liability maturities is as follows:

	Shorter than 1 year	1-5 years	5-10 years
Lease liabilities	<u>\$ 95,349</u>	<u>\$ 247,096</u>	<u>\$ -</u>

(2) Table of Liquidity and Interest Rate Risks of Derivative Financial Liabilities

The liquidity analysis of derivative financial instruments based on net settlements is produced with the undiscounted and contracted net cash inflows and outflows. The analysis on the derivatives based on gross settlements is produced with the undiscounted total cash inflows and outflows. If the payable or receivable amount is not fixed, the amount disclosed is estimated with the expected interest rate in reference to the yield curve on the balance sheet date.

September 30, 2021

	<u>Within 3 months</u>	<u>3 months to 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
<u>Gross settlements</u>				
Currency forwards				
- Inflows	\$ 166,339	\$ -	\$ -	\$ -
- Outflows	(167,100)	-	-	-
	(761)	-	-	-
Currency swaps				
- Inflows	83,550	-	-	-
- Outflows	(83,550)	-	-	-
	-	-	-	-
	(\$ 761)	\$ -	\$ -	\$ -

December 31, 2020

	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<u>Gross settlements</u>				
Currency forwards				
- Inflows	\$ 294,578	\$ -	\$ -	\$ -
- Outflows	(298,164)	-	-	-
	(\$ 3,586)	\$ -	\$ -	\$ -

(3) Credit facilities

	September 30, 2021	December 31, 2020	September 30, 2020
Unsecured credit facilities with banks (reviewed annually)			
- Utilized amount	\$ 1,953,838	\$ 1,824,994	\$ 2,102,230
- Available amount	<u>2,940,362</u>	<u>2,227,086</u>	<u>2,538,840</u>
	<u>\$ 4,894,200</u>	<u>\$ 4,025,080</u>	<u>\$ 4,641,070</u>

XXVI. Transactions with Affiliated Parties

The Company's ultimate controller is Taiwan Semiconductor Manufacturing Co., Ltd., which owned 36.38% of the Company's ordinary shares as of September 30, 2021, December 31, 2020 and September 30, 2020.

All the transactions, account balances, incomes and gains, expenses and losses among the Company and its subsidiaries (i.e., the Company's affiliated parties) have been canceled out in the preparation of the consolidated financial statements and hence not disclosed in these notes. Except those disclosed in other notes, the transactions between the consolidated company and other affiliated parties are as follows:

(I) Names of and relations with the affiliated parties

Name of the affiliated party	Relation with the consolidated company
Taiwan Semiconductor Co., Ltd. (Taiwan Semiconductor)	The Company's parent
Tianjin Everwell Technology Co., Ltd. (Tianjin Everwell)	Affiliated company
Yangxin Everwell Electronic Co., Ltd. (Yangxin Everwell)	Affiliated company
TSC America, Inc.(TSCA)	Affiliated company
Taiwan Semiconductor Europe GmbH (TSCE)	Affiliated company

(II) Operating incomes

Itemized account	Affiliated party category	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021	January 1 to September 30, 2020
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Revenues	Parent company	\$ -	\$ -	\$ 8	\$ 23
	Affiliated company	<u>26</u>	<u>-</u>	<u>60</u>	<u>27</u>
		<u>\$ 26</u>	<u>\$ -</u>	<u>\$ 68</u>	<u>\$ 50</u>

(III) Purchase

Affiliated party category	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021	January 1 to September 30, 2020
Parent company	<u>\$ 661</u>	<u>\$ 318</u>	<u>\$ 2,081</u>	<u>\$ 1,142</u>

The consolidated company's 120-day payment terms with the abovementioned affiliated parties are not significantly different from the terms with other suppliers.

(IV) Receivables from affiliated parties (excluding loans to affiliated parties)

Itemized account	Affiliated party category	September 30, 2021	December 31, 2020	September 30, 2020
Accounts receivable - affiliated parties	Affiliated company	<u>\$ 22</u>	<u>\$ 8</u>	<u>\$ -</u>
Other receivables - affiliated parties	Affiliated company	<u>\$ 630</u>	<u>\$ 575</u>	<u>\$ 582</u>

No guarantee was obtained for the outstanding receivables from affiliated parties. No allowance for losses was recognized for receivables from affiliated parties from January 1 to September 30, 2021 and from January 1 to September 30, 2020.

(V) Payables to affiliated parties

Itemized account	Affiliated party category	September 30, 2021	December 31, 2020	September 30, 2020
Accounts payable - affiliated parties	Parent company	<u>\$ 1,050</u>	<u>\$ 410</u>	<u>\$ 373</u>
Other payables - affiliated parties	Parent company	\$ 10	\$ 7	\$ 2
	Affiliated company	<u>1,378</u>	<u>1,409</u>	<u>1,440</u>
		<u>\$ 1,388</u>	<u>\$ 1,416</u>	<u>\$ 1,442</u>

No guarantee was provided for the outstanding payables to affiliated parties.

(VI) Management's remuneration

	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021	January 1 to September 30, 2020
Shor-term employee benefits	\$ 21,257	\$ 18,638	\$ 66,259	\$ 46,884
Retirement benefits	56	81	244	243
Shares-based payment	<u>1,206</u>	<u>1,210</u>	<u>3,821</u>	<u>1,605</u>
	<u>\$ 22,519</u>	<u>\$ 19,929</u>	<u>\$ 70,324</u>	<u>\$ 48,732</u>

Remuneration Committee determines the remuneration to directors and other key members of management in accordance with individual performances and market trends.

XXVII. Other Matters

The outbreak of COVID-19 in January 2020 took the world by storm and caused great uncertainty in the global economy and financial development. The pandemic also affected Taiwan's economic activities and consumption patterns. Some industries suffered declining profitability. As of the approval and the publication of these consolidated financial statements and according to the consolidated company's assessment, the pandemic did not cause material and adverse effects on the consolidated company's going concern capabilities, asset impairment or fundraising risks. The consolidated company will continue to observe and assess the impact of COVID-19 on the aforesaid aspects.

XXVIII. Information on Assets and Liabilities Denominated in Foreign Currencies and with Significant Influence

The following information is expressed with the foreign currencies other than the functional currencies of individual entities of the consolidated company. The disclosed exchange rates are the rates to convert foreign currencies to functional currencies. The assets and liabilities denominated in foreign currencies and with significant influence are as follows: (Unit: 1,000 in NT dollars and foreign currencies)

September 30, 2021

	Foreign currency	Exchange rate	Carrying amount
<u>Assets</u>			
<u>denominated in</u>			
<u>foreign currencies</u>			
<u>Monetary items</u>			
USD	\$ 32,472	27.850 (USD: NTD)	\$ 904,345
Euro	14,531	32.320 (EUR: NTD)	469,642
CNY	45,672	4.305 (CNY: NTD)	<u>196,618</u>
			<u>\$ 1,570,605</u>
<u>Liabilities</u>			
<u>denominated in</u>			
<u>foreign currencies</u>			
<u>Monetary items</u>			
USD	24,297	27.850 (USD: NTD)	\$ 676,671
Euro	8,495	32.320 (EUR: NTD)	274,558
CNY	60,345	4.305 (CNY: NTD)	259,785
JPY	214,021	0.249 (JPY: NTD)	<u>53,291</u>
			<u>\$ 1,264,305</u>

December 31, 2020

	Foreign currency	Exchange rate	Carrying amount
<u>Assets</u>			
<u>denominated in</u>			
<u>foreign currencies</u>			
<u>Monetary items</u>			
USD	\$ 26,627	28.480 (USD: NTD)	\$ 758,337
Euro	10,813	35.020 (EUR: NTD)	378,671
CNY	37,414	4.377 (CNY: NTD)	<u>163,761</u>
			<u>\$ 1,300,769</u>
<u>Liabilities</u>			
<u>denominated in</u>			
<u>foreign currencies</u>			
<u>Monetary items</u>			
USD	18,749	28.480 (USD: NTD)	\$ 533,972
Euro	7,918	35.020 (EUR: NTD)	277,288
CNY	32,467	4.377 (CNY: NTD)	142,108
JPY	162,248	0.276 (JPY: NTD)	<u>44,780</u>
			<u>\$ 998,148</u>

September 30, 2020

	Foreign currency	Exchange rate	Carrying amount
<u>Assets</u>			
<u>denominated in</u>			
<u>foreign currencies</u>			
<u>Monetary items</u>			
USD	\$ 28,413	29.100 (USD: NTD)	\$ 826,818
Euro	14,927	34.150 (EUR: NTD)	509,757
CNY	34,127	4.269 (CNY: NTD)	145,688
			<u>\$ 1,482,263</u>
<u>Liabilities</u>			
<u>denominated in</u>			
<u>foreign currencies</u>			
<u>Monetary items</u>			
USD	12,729	29.100 (USD: NTD)	\$ 370,414
Euro	9,225	34.150 (EUR: NTD)	315,034
CNY	24,028	4.269 (CNY: NTD)	102,576
JPY	75,567	0.276 (JPY: NTD)	20,856
			<u>\$ 808,880</u>

The exchange gain or loss (unrealized) with significant influence is as follows:

Foreign currency	July 1 to September 30, 2021		July 1 to September 30, 2020	
	Exchange rate	Net exchange gain (loss)	Exchange rate	Net exchange gain (loss)
USD	27.850 (USD: NTD)	\$ 868	29.100 (USD: NTD)	(\$ 8,469)
Euro	32.320 (EUR: NTD)	(2,829)	34.150 (EUR: NTD)	14,692
CNY	4.305 (CNY: NTD)	19	4.269 (CNY: NTD)	(610)
JPY	0.249 (JPY: NTD)	(574)	0.276 (JPY: NTD)	(559)
		<u>(\$ 2,516)</u>		<u>\$ 5,054</u>

Foreign currency	January 1 to September 30, 2021		January 1 to September 30, 2020	
	Exchange rate	Net exchange gain (loss)	Exchange rate	Net exchange gain (loss)
USD	27.850 (USD: NTD)	(\$ 5,007)	29.100 (USD: NTD)	(\$ 16,116)
Euro	32.320 (EUR: NTD)	(5,067)	34.150 (EUR: NTD)	15,500

CNY	4.305	2,286	4.269	1,613
	(CNY: NTD)		(CNY: NTD)	
JPY	0.249	<u>1,258</u>	0.276	<u>268</u>
	(JPY: NTD)		(JPY: NTD)	
		(<u>\$ 6,530</u>)		<u>\$ 1,265</u>

XXIX. Supplement Disclosure

(I) Information on significant transactions:

1. Loans to others: Table 1
2. Endorsements and guarantees for others: Table 2
3. Position of marketable securities at the end of the period (excluding subsidiaries): Table 3
4. Cumulative purchase or sale of the same marketable security for at least NT\$300 million or at an amount equivalent to 20% of the paid-in capital: none
5. Acquisition of real estates for at least NT\$300 million or at an amount equivalent to 20% of the paid-in capital: none
6. Disposal of real estimates for at least NT\$300 million or at an amount equivalent to 20% of the paid-in capital: none
7. Purchase from and sale to affiliated parties for at least NT\$100 million or at an amount equivalent to 20% of the paid-in capital: Table 4
8. Receivables from affiliated parties for at least NT\$100 million or at an amount equivalent to 20% of the paid-in capital: Table 5
9. Transaction of derivatives: Note 7
10. Other information: business relations and significant transactions (circumstances and amounts) between the parent company and subsidiaries and among subsidiaries: Table 6

(II) Information on investees: Table 7

(III) Information on investments in China:

1. Names of investees in China, major businesses, paid-in capitals, investment methods, inward and outward remittances, shareholding percentages, investment gains (losses), carrying amounts of investments

at the end of the period, repatriated investment gains (losses) and ceiling on investments in China: Table 8

2. Significant transactions with investees in China directly or indirectly through third regions; prices, payment terms and unrealized profits or losses of such transactions: Table 9
 - (1) Purchase amounts and percentages, balances and percentages of corresponding payables as of the end of the period.
 - (2) Sale amounts and percentages, balances and percentages of corresponding receivables as of the end of the period.
 - (3) Property transaction amounts and resulting gains (losses).
 - (4) Purchases and balances of check endorsements and guarantees and the offering of collaterals as of the end of the period.
 - (5) Maximum balance, end-of-period balance, interest rate range and interest expenses of borrowings during the period.
 - (6) Other transactions (such as offering and receiving of services) with significant influence on profit or loss or financial status during the period.

(IV) Information on major shareholders: names, shareholding amounts and percentages of the shareholders with at least 5% stakes: Table 10

XXX. Segment information

The information provided to the key decision-makers for resource allocation and segment performance reviews is focused on each delivered product type. The consolidated company's segment reporting should be based on product categories. The two strategic business units are managed separately due to the different technologies and market strategies involved. Segment A sells barcode printers and relevant components. Segment B sells labels and printer consumables.

The consolidated company's reporting segment revenues and operating results are as follows:

	January 1 to September 30, 2021			
	Segment A	Segment B	Intersegment adjustment	Total
Income				
Revenue from external customers	\$ 3,292,647	\$ 1,745,396	\$ -	\$ 5,038,043
Intersegment revenue	<u>581</u>	<u>30</u>	(<u>611</u>)	<u>-</u>
Total revenue	<u>\$ 3,293,228</u>	<u>\$ 1,745,426</u>	(<u>\$ 611</u>)	<u>\$ 5,038,043</u>
Segment profit (loss)	<u>\$ 861,795</u>	<u>\$ 111,288</u>	(<u>\$ 145,610</u>)	<u>\$ 827,473</u>

	January 1 to September 30, 2020			
	Segment A	Segment B	Intersegment adjustment	Total
Income				
Revenue from external customers	\$ 2,581,624	\$ 1,437,592	\$ -	\$ 4,019,216
Intersegment revenue	<u>2,036</u>	<u>1,382</u>	(<u>3,418</u>)	<u>-</u>
Total revenue	<u>\$ 2,583,660</u>	<u>\$ 1,438,974</u>	(<u>\$ 3,418</u>)	<u>\$ 4,019,216</u>
Segment profit (loss)	<u>\$ 689,458</u>	<u>\$ 57,049</u>	(<u>\$ 120,773</u>)	<u>\$ 625,734</u>

The consolidated company's management allocates resources and assesses segment performance by referring to the internal reporting of segment profit or loss before tax (excluding non-recurrent items) according to the review by key decision-makers in operations. The consolidated company does not allocate income tax expenses (gains) and non-recurrent gains (losses) to reporting segments as income tax expenses (gains) and expenses and non-recurrent gains (losses) are managed at the group level. The reported amounts are consistent with the amounts in the reports used by operational decision-makers.

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Loans to Others

January 1 to September 30, 2021

Table 1

Unit: NT\$ thousand unless otherwise indicated

No. (Note 1)	Financing company	Counter-party	Financial statement account (Note 2)	Related party?	Maximum balance for the period (Note 3, 6)	Balance at the end of the period (Note 3, 6)	Amount actually drawn (Note 6)	Interest rate range	Nature for financing	Transaction amounts	Reason for need for short-term financing	Recognized allowance for bad debts	Collateral		Financing limits for each borrowing company (Note 4)	Financing company's total financing amount limits (Note 5)
													Name	Value		
0	TSC Auto ID Technology Co., Ltd.	TSC Auto ID Technology America Inc.	Other receivable s - affiliated parties	Yes	\$ 222,800 (USD 8,000 thousand)	\$ 194,950 (USD 7,000 thousand)	\$ 125,325 (USD 4,500 thousand)	1.2%	The need for short-term financing	\$ -	Operating capital	\$ -	None	\$ -	\$ 744,507	\$ 1,489,013
0	TSC Auto ID Technology Co., Ltd.	Diversified Labeling Solutions Inc.	Other receivable s - affiliated parties	Yes	334,200 (USD 12,000 thousand)	334,200 (USD 12,000 thousand)	194,950 (USD 7,000 thousand)	1.27%	The need for short-term financing	-	Purchase assets/operati ng capital	-	None	-	744,507	1,489,013

Note 1: Numbers in the column:

(1) 0 for the Company.

Note 2: This field is required for the accounts receivable from affiliated companies, accounts receivable from affiliated parties, transactions with shareholders, prepayments, temporary payments, etc. that are lending in nature.

Note 3: The maximum balance during the period and the balance as of the end of the period refer to the quotas determined by the Board of Directors, not the amounts actually utilized.

Note 4: Any need for short-term financing from the Company is capped at 20% of the book value of its most recent financial statements as audited or reviewed by CPAs.

Note 5: The aggregate amount of the Company's lending to others is capped at 40% of the book value of its most recent financial statements as audited or reviewed by CPAs.

Note 6: Foreign currency amounts in this table are based on exchange rates on September 30, 2021. NT dollars based on US\$1=NT\$27.85.

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries
Endorsements and Guarantees for Others
January 1 to September 30, 2021

Table 2

Unit: NT\$ thousand unless otherwise indicated

Serial No. (Note 1)	Name of the endorsement/guarantee provider	Endorsed/guaranteed entity		Limit of endorsements/guarantees for a single company (Note 3)	Maximum balance of endorsements/guarantees during the period (Note 6)	Balance of endorsements/guarantees as of the end of the period (Note 4, 6)	Amount actually drawn (Note 5, 6)	Amount endorsed/guaranteed by collateralizing assets	Cumulative endorsed/guaranteed amount as the % of book value in the most recent financial statements	Maximum limit of endorsements/guarantees (Note 3)	Endorsements/guarantees from the parent to subsidiaries	Endorsements/guarantees from subsidiaries to the parent	Endorsements/guarantees to entities in China	Remarks
		Name of the company	Relation (Note 2)											
0	TSC Auto ID Technology Co., Ltd.	TSC Auto ID Technology America Inc.	(2)	\$ 1,489,013	\$ 334,200 (USD 12,000 thousand)	\$ 334,200 (USD 12,000 thousand)	\$ -	\$ -	8.98%	\$ 2,233,520	Y	N	N	

Note 1: Numbers in the column:

- (1) 0 for the Company.

Note 2: Please indicate one of the following seven types of relations between endorsers/guarantors and endorsees/guarantees:

- (1) Company with business dealings.
- (2) Company with over 50% voting shares directly and indirectly owned by the Company.
- (3) Company who directly and indirectly owns at over 50% of the Company's voting shares.
- (4) Between the companies with over 90% voting shares directly and indirectly owned by the Company.
- (5) Between peers required for engineering project undertakings or between joint builders required to guarantee each other according to contract terms and conditions.
- (6) Endorsement and guarantee to an investee by all shareholders according to shareholding percentages in a joint investment.
- (7) Joint guarantee provided by peers in contract performance for off-plan property sales according to the Consumer Protection Act.

Note 3: The aggregate endorsed/guaranteed amount and the maximum endorsement/guarantee to a single company is capped at 60% and 40%, respectively, of the Company's book value according to the most recent financial statements as audited or reviewed by CPAs.

Note 4: This field is for the amount approved by the Board of Directors. However, please provide the amount decided by the Chairman if the Chairman is authorized by the Board of Directors according to Subparagraph 8 of Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 5: Amount actually utilized by the endorsed/guaranteed company within the endorsed/guaranteed range.

Note 6: Foreign currency amounts in this table are based on exchange rates on September 30, 2021. NT dollars based on US\$1=NT\$27.85.

Note 7: The Company provides a customs endorsement/guarantee with a bank letter of guarantee for NT\$3,000 thousand to Taipei Customs, Customs Administration.

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries
 Position of marketable securities at the end of the period
 September 30, 2021

Table 3

Unit: NT\$ thousand/thousand shares/thousand units

Investees	Types and names of marketable securities (Note 1)	Relation with the issuer (Note 2)	Itemized Account	End of the period				Remarks
				No. of units	Carrying amount (Note 3)	Shareholding percentage	Fair value	
The Company	<u>Shares</u> Taiwan Semiconductor Co., Ltd.	Parent company	Financial assets measured at fair value through other comprehensive incomes - non-current	13,600	\$ 881,280	5.13%	\$ 881,280	

Note 1: Marketable securities in this table refer to stocks, bonds, beneficiary certificates and marketable securities derived from the aforesaid financial instruments according to IFRS 9 Financial Instruments.

Note 2: Blank in this column if the issuer of the marketable securities is not a related party.

Note 3: Column of carrying amount: Please provide the carrying amount after fair value adjustments and allowance for losses if measured at fair value or the carrying amount at amortized cost (net of allowance for losses) if not measured at fair value.

Note 4: Please refer to Tables 7 and 8 for information on subsidiaries.

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Purchase from and sale to affiliated parties for at least NT\$100 million or at an amount equivalent to 20% of the paid-in capital

January 1 to September 30, 2021

Table 4

Unit: NT\$ thousand unless otherwise indicated

Purchase (sale) company	Counterparties	Relation	Transactions				Circumstances and reasons why transaction terms are not at an arm's length		Notes and accounts receivable (payable)		Remarks
			Purchase (sale)	Amount	As % of total sale (purchase)	Credit period	Unit price	Credit period	Balance	As % of total notes and accounts receivable (payable)	
The Company	TSCAE	Subsidiaries	Sale	(\$ 896,577)	(38%)	135 days based on monthly statements	-	-	\$ 438,294	39%	
The Company	Tianjin TSC Auto ID Technology	Sub-subsiary	Sale	(275,838)	(12%)	60 days based on monthly statements	-	-	13,044	1%	
	Tianjin TSC Auto ID Technology	Sub-subsiary	Purchase	589,205	37%	90 days based on monthly statements	-	-	(259,787)	(41%)	
The Company	TSCAA	Subsidiaries	Sale	(253,637)	(11%)	120 days based on monthly statements	-	-	207,729	18%	
The Company	PTNXUS	Subsidiaries	Sale	(119,490)	(5%)	120 days based on monthly statements	-	-	71,573	6%	

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Receivables from affiliated parties for at least NT\$100 million or at an amount equivalent to 20% of the paid-in capital

September 30, 2021

Table 5

Unit: NT\$ thousand unless otherwise indicated

Company from which receivables are recognized	Name of the counterparty	Relation	Receivables from affiliated parties (Note 1)		Turnover	Overdue receivables from affiliated parties		Recovered receivables from affiliated parties (Note 2)	Recognized allowance for losses
						Amount	Treatment		
The Company	TSCAE	Subsidiaries	Accounts receivable	\$ 438,294	2.93	\$ -	-	\$ 78,118	\$ -
The Company	TSCAA	Subsidiaries	Accounts receivable	207,729	1.82	-	-	35,248	-
			Other receivables	127,494	-	-	-	-	-
The Company	DLS	Subsidiaries	Other receivables	195,370	-	-	-	-	-
Tianjin TSC Auto ID Technology	The Company	Parent company	Accounts receivable	259,787	4.46	-	-	-	-

Note 1: Please provide accounts receivable, notes receivable and other receivables.

Note 2: Recovered amount as of November 9, 2021.

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Business relations, circumstances and amounts of significant transactions between the parent and subsidiaries and among subsidiaries

January 1 to September 30, 2021

Table 6

Unit: NT\$ thousand unless otherwise indicated

No.	Entity concerned	Name of the counterparty	Relation with the counterparty (Note 1)	Transaction with the counterparty			
				Item	Amount	Transaction terms and conditions	As % of the consolidated total revenue or the consolidated total assets (Note 2)
0	The Company	TSCAA	1	Accounts receivable	\$ 207,729	Note 3	3%
			1	Other receivables	127,494	At an arm's length	2%
			1	Revenues	253,637	Note 3	5%
		TSCAE	1	Accounts receivable	438,294	Note 3	6%
			1	Revenues	896,577	Note 3	18%
			1	Revenues	275,838	Note 3	5%
		Tianjin TSC Auto ID Technology	1	Accounts payable	259,787	Note 3	3%
			1	Purchase	589,205	Note 3	12%
			1	Accounts receivable	71,573	Note 3	1%
		PTNX US	1	Revenues	119,490	Note 3	2%
			1	R&D expenses	53,378	At an arm's length	1%
			1	Other receivables	195,370	At an arm's length	3%
		1	TSCAA	DLS	1	Other receivables	195,370
PTNX US	3			Other payables	35,254	At an arm's length	0%

Note 1: Relation with the counterparty:

1. The parent to a subsidiary
2. Subsidiary to the parent
3. Subsidiary to a subsidiary

Note 2: Transactions as a percentage of the consolidated total revenue or the consolidated total assets: If the transactions are a balance sheet item, the balance at the end of the period is calculated as a percentage of consolidated total assets. If the transactions are an income statement item, the cumulative amount is calculated as a percentage of the consolidated total revenue.

Note 3: Sales based on market prices Collection period: 60-135 days based on monthly statements

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries
Name and location of the investee, etc.
January 1 to September 30, 2021

Table 7

Unit: NT\$ thousand unless otherwise indicated

Name of the investment company	Name of the investee	Location	Primary business	Original invested amount		Holdings at the end of the year			Profit (loss) of the investee during the period	Recognized investment gain (loss) during the period	Remarks
				End of this period	End of last year	No. of shares (thousand shares)	Percentage (%)	Carrying amount (Note 3)			
The Company	TSCAE	Germany	Sale of barcode printers and relevant components	\$ 2,943	\$ 2,943	Note 1	100.00	\$ 34,376	\$ 8,271	\$ 8,271	Subsidiaries
The Company	TSCAA	United States	Sale of barcode printers and relevant components	1,096,621 (US\$33,000 thousand)	1,096,621 (US\$33,000 thousand)	16,000	100.00	900,617	(31,786)	(31,786)	Subsidiaries
The Company	TSCHK	Hong Kong	Investment in production businesses and general imports/exports	51,738 (US\$1,654 thousand)	51,738 (US\$1,654 thousand)	11,711	100.00	569,069	79,448	79,448	Subsidiaries
The Company	PTNX US	United States	Sale of barcode printers and relevant components	63,021 (US\$1,875 thousand)	63,021 (US\$1,875 thousand)	Note 2	5.00	44,798	(216)	(1,117)	Sub-subsidiary
The Company	Printronix Auto ID Technology	Taiwan	Sale of barcode printers and relevant components	5,000	5,000	500	100.00	5,360	(328)	(328)	Subsidiaries
The Company	DLS	United States	Printer consumables and customized design, integration, production and marketable of a variety of labels	801,558 (US\$26,000 thousand)	801,558 (US\$26,000 thousand)	1	100.00	907,320	83,150	83,150	Subsidiaries
The Company	TSCIN	India	Sale of barcode printers and relevant components	2,791 (US\$100 thousand)	-	710	100.00	2,666	-	-	Subsidiaries
TSCAE	TSCAD	United Arab Emirates	Sale of barcode printers and relevant components	8,234	8,234	Note 1	100.00	(5,501)	38	38	Sub-subsidiary
TSCAE	TSCAS	Spain	Sale of barcode printers and relevant components	124	124	Note 1	100.00	2,293	320	320	Sub-subsidiary
TSCAA	PTNX US	United States	Sale of barcode printers and relevant components	US\$45,319 thousand	US\$45,319 thousand	Note 2	95.00	1,169,300 (US\$41,986 thousand)	(216) (US\$757 thousand)	(21,231) (US\$757 thousand)	Sub-subsidiary
DLS	PPL	United States	Selling of a variety of labels and printer consumables	US\$115 thousand	US\$115 thousand	850	100.00	10,300 (US\$370 thousand)	7,834 (US\$279 thousand)	7,834 (US\$279 thousand)	Sub-subsidiary

Note 1: The company license only specifies the amount of invested capital without the number of shares.

Note 2: Not listed if the holding is below 1,000 shares.

Note 3: Carrying amount net of unrealized gains from sales.

Note 4: Please refer to Tables 8 and 9 for information on investees in China.

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Information on investments in China

January 1 to September 30, 2021

Table 8

Unit: NT\$ thousand unless otherwise indicated

Names of investees in China	Primary business	Paid-in capital (Note 5)	Investment method (Note 1)	Cumulative outward investments from Taiwan at the beginning of this period (Note 5)	Outward remittances or recovered investments during the period		Cumulative outward investments from Taiwan at the end of this period (Note 5)	Profit or loss of the investee during the period	Holding by the Company directly and indirectly	Recognized investment gain or loss during the period (Note 2)	Carrying amount of the investment at the end of the period	Total repatriated investment gains as of the end of this period	Remarks
					Outward remittances	Recovered investments							
Tianjin TSC Auto ID Technology Co., Ltd.	Production and marketing of barcode printers and relevant components	\$ 45,203 (CNY 10,500 thousand)	(2) Investor: TSC Auto ID (H.K.) LTD	\$ 41,775 (US\$1,500 thousand)	\$ -	\$ -	\$ 41,775 (US\$1,500 thousand)	\$ 78,767	100%	\$ 78,767 (Note 3)	\$ 567,193	\$ 691,539	
Shenzhen Printronix Auto ID Technology Co., Ltd.	Sale of barcode printers and relevant components	4,305 (CNY 1,000 thousand)	(2) Investor: TSC Auto ID (H.K.) LTD	4,289 (US\$154 thousand)	-	-	4,289 (US\$154 thousand)	681	100%	681 (Note 3)	12,729	-	

Cumulative outward investments from Taiwan to China at the end of this period (Note 5)	Investment amount approved by the Investment Commission, MOEA (Note 5)	Ceiling imposed by the Investment Commission, MOEA on investments in China (Note 4)
\$46,064 (US\$1,654 thousand)	\$46,064 (US\$1,654 thousand)	\$2,233,520

Note 1: Please indicate one of the following three investment methods:

- (1) Direct investments in China
- (2) Investments in China via third regions (Please indicate the investment companies in third regions)
- (3) Other methods

Note 2: Recognized investment gains or losses during the period:

- (1) Please note if there is no investment gain or loss yet during the preparatory stage.
- (2) Please indicate one of the three following bases for recognition of investment gains or losses:
 - A. Financial statements audited by international accounting firms with cooperation ties with accounting firms in Taiwan.
 - B. Financial statements reviewed by the parent company's external auditor in Taiwan.
 - C. Others.

Note 3: Note 2-2(B) for the basis of investment gains (losses) recognition.

Note 4: According to the Amendment to Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China on August 29, 2008 by the Investment Commission, the cap on investments in China is 60% of the book value.

Note 5: Foreign currency amounts in this table based on exchange rates on September 30, 2021. NT dollars based on US\$1=NT\$27.85 or RMB\$1=NT\$4.305.

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Significant transactions with investees in China directly or indirectly through third regions; prices, payment terms and unrealized profits or losses of such transactions, and other relevant information

January 1 to September 30, 2021

Table 9

Unit: NT\$ thousand unless otherwise indicated

Counterparties	Relation with the counterparty	Transaction type: purchase (sale)	Amount	Transaction terms and conditions			Notes and accounts receivable (payable)		Unrealized gains or losses
				Price	Payment terms	Comparison with transactions at an arm's length	Balance	%	
Tianjin TSC Auto ID Technology Co., Ltd.	Sub-subsidiary	Sale	(\$ 275,838)	Note 1	60 days based on monthly statements	Equivalent	\$ 13,044	1%	\$ 10,761 (Note 2)
		Purchase	589,205	Note 1	90 days based on monthly statements	Equivalent	(259,787)	(41%)	

Note 1: The Company's transactions with affiliated parties are conducted according to the agreed prices.

Note 2: This refers to cumulative unrealized gains or losses as of September 30, 2021.

TSC Auto ID Technology Co., Ltd.
Information on major shareholders
September 30, 2021

Table 10

Unit: shares

Name of the major shareholder	Shares	
	No. of shares held	Shareholding percentage
Taiwan Semiconductor Co., Ltd.	15,453,177	36.38%
Cathay Life Insurance's fully discretionary account with Cathay Securities Investment Trust (TAIEX 15)	2,247,300	5.29%

Note: The information on major shareholders in this table is based on the Taiwan Depository & Clearing Corporation data on the shareholders with at least 5% of paperless ordinary shares and preferred shares (including treasury shares) without registration on the final business day of the current quarter. The number of paperless shares may be different from the share capital recorded in the Company's consolidated financial statements due to differences in the basis of preparation.