

**Prosperity Dielectrics Co., Ltd. and  
Subsidiaries**

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2022 and 2021 and  
Independent Auditors' Review Report**

## INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders  
Prosperity Dielectrics Co., Ltd.

### Introduction

We have reviewed the accompanying consolidated balance sheets of Prosperity Dielectrics Co., Ltd. and its subsidiaries (collectively, the "Group") as of March 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

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

### Basis for Qualified Conclusion

As described in Note 13 to the consolidated financial statements, the financial statements of certain investments accounted for using the equity method were not reviewed by independent accountants. As of March 31, 2022, total investments accounted for using the equity method amounted to NT\$50,295 thousand, and the total share of loss of the associates accounted for using the equity method for the three months ended March 31, 2022 amounted to NT\$734 thousand. In addition, the related information about certain investments disclosed in Note 30 to the consolidated financial statements was also not reviewed by independent accountants.

## Qualified Conclusion

Based on our reviews, except for adjustments, if any, as might have been determined to be necessary had the financial statements of the investments accounted for using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Yi-Min Huang and Chin-Chuan Shih.

Yi-Min Huang

Chin-Chuan Shih.

Deloitte and Touche  
Taipei, Taiwan  
Republic of China

May 3, 2022

### Notice to Readers

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

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

**PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**  
(In Thousands of New Taiwan Dollars)

| ASSETS  | March 31, 2022<br>(Reviewed) |            | December 31, 2021<br>(Audited) |            | March 31, 2021<br>(Reviewed) |            |
|---|------------------------------|------------|--------------------------------|------------|------------------------------|------------|
|   | Amount                       | %          | Amount                         | %          | Amount                       | %          |
| <b>CURRENT ASSETS</b>   |                              |            |                                |            |                              |            |
| Cash and cash equivalents (Note 6)  | \$ 1,966,520                 | 22         | \$ 1,312,198                   | 14         | \$ 1,241,767                 | 15         |
| Financial assets at fair value through profit or loss - current (Note 7)                  | 363,637                      | 4          | 532,066                        | 6          | 372,556                      | 4          |
| Financial assets at amortized cost - current (Note 8)                                     | 90,947                       | 1          | 262,697                        | 3          | 241,643                      | 3          |
| Notes receivable from unrelated parties (Note 9)  | 39,302                       | -          | 50,882                         | 1          | 37,716                       | -          |
| Trade receivables from unrelated parties (Note 9)   | 811,069                      | 9          | 743,018                        | 8          | 919,414                      | 11         |
| Trade receivables from related parties (Note 26)  | 286,901                      | 3          | 335,976                        | 4          | 163,422                      | 2          |
| Other receivables from unrelated parties  | 43,435                       | 1          | 34,979                         | -          | 46,615                       | 1          |
| Other receivables from related parties (Note 26)  | 21,571                       | -          | 12,019                         | -          | 668                          | -          |
| Inventories (Note 10)   | 782,429                      | 9          | 820,570                        | 9          | 723,793                      | 9          |
| Other current assets  | 41,290                       | -          | 53,403                         | 1          | 63,217                       | 1          |
| Total current assets  | <u>4,447,101</u>             | <u>49</u>  | <u>4,157,808</u>               | <u>46</u>  | <u>3,810,811</u>             | <u>46</u>  |
| <b>NON-CURRENT ASSETS</b>   |                              |            |                                |            |                              |            |
| Financial assets at fair value through other comprehensive income - non-current (Note 12) | 1,356,874                    | 15         | 1,607,074                      | 18         | 1,369,797                    | 17         |
| Financial assets at amortized cost - non-current (Note 8)                                 | 45,134                       | 1          | 43,476                         | 1          | 174,067                      | 2          |
| Investments accounted for using the equity method (Note 13)                               | 861,542                      | 9          | 834,223                        | 9          | 666,755                      | 8          |
| Property, plant and equipment (Note 14)   | 2,169,538                    | 24         | 2,218,674                      | 24         | 2,056,731                    | 25         |
| Right-of-use assets (Note 15)   | 180,860                      | 2          | 176,410                        | 2          | 182,382                      | 2          |
| Computer software   | 6,708                        | -          | 7,221                          | -          | 1,541                        | -          |
| Deferred tax assets (Note 4)  | 39,739                       | -          | 34,151                         | -          | 37,021                       | -          |
| Other non-current assets  | 8,327                        | -          | 7,079                          | -          | 8,111                        | -          |
| Total non-current assets  | <u>4,668,722</u>             | <u>51</u>  | <u>4,928,308</u>               | <u>54</u>  | <u>4,496,405</u>             | <u>54</u>  |
| <b>TOTAL</b>  | <u>\$ 9,115,823</u>          | <u>100</u> | <u>\$ 9,086,116</u>            | <u>100</u> | <u>\$ 8,307,216</u>          | <u>100</u> |
| <b>LIABILITIES AND EQUITY</b>   |                              |            |                                |            |                              |            |
| <b>CURRENT LIABILITIES</b>  |                              |            |                                |            |                              |            |
| Short-term borrowings (Note 16)   | \$ 20,000                    | -          | \$ -                           | -          | \$ -                         | -          |
| Trade payables to unrelated parties   | 359,118                      | 4          | 389,564                        | 4          | 451,094                      | 6          |
| Trade payables to related parties (Note 26)   | 165,097                      | 2          | 163,591                        | 2          | 335,799                      | 4          |
| Other payables to unrelated parties (Note 17)   | 567,090                      | 6          | 712,642                        | 8          | 605,348                      | 7          |
| Other payables to related parties (Note 26)   | 24,064                       | -          | 22,259                         | -          | 24,325                       | -          |
| Current tax liabilities (Note 4)  | 184,425                      | 2          | 137,270                        | 2          | 112,372                      | 2          |
| Lease liabilities - current (Note 15)   | 30,344                       | 1          | 25,573                         | -          | 27,914                       | -          |
| Current portion of long-term borrowings (Note 16)   | 74,792                       | 1          | 8,333                          | -          | -                            | -          |
| Other current liabilities   | 12,153                       | -          | 16,157                         | -          | 19,109                       | -          |
| Total current liabilities   | <u>1,437,083</u>             | <u>16</u>  | <u>1,475,389</u>               | <u>16</u>  | <u>1,575,961</u>             | <u>19</u>  |
| <b>NON-CURRENT LIABILITIES</b>  |                              |            |                                |            |                              |            |
| Long-term borrowings (Note 16)  | 752,242                      | 8          | 817,656                        | 9          | 763,909                      | 9          |
| Deferred tax liabilities (Note 4)   | 188,342                      | 2          | 178,518                        | 2          | 117,673                      | 1          |
| Lease liabilities - non-current (Note 15)   | 153,754                      | 2          | 154,131                        | 2          | 154,032                      | 2          |
| Deferred revenue - non-current (Note 17)  | 7,966                        | -          | 9,011                          | -          | 11,091                       | -          |
| Net defined benefit liabilities - non-current (Note 4)                                    | 34,998                       | 1          | 51,391                         | 1          | 47,582                       | 1          |
| Guarantee deposits received   | 25,340                       | -          | 25,234                         | -          | 21,016                       | -          |
| Total non-current liabilities   | <u>1,162,642</u>             | <u>13</u>  | <u>1,235,941</u>               | <u>14</u>  | <u>1,115,303</u>             | <u>13</u>  |
| Total liabilities   | <u>2,599,725</u>             | <u>29</u>  | <u>2,711,330</u>               | <u>30</u>  | <u>2,691,264</u>             | <u>32</u>  |
| <b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 19)</b>                             |                              |            |                                |            |                              |            |
| Share capital   |                              |            |                                |            |                              |            |
| Ordinary shares   | 1,720,000                    | 19         | 1,720,000                      | 19         | 1,720,000                    | 21         |
| Capital surplus   | 498,708                      | 6          | 498,548                        | 5          | 497,066                      | 6          |
| Retained earnings   |                              |            |                                |            |                              |            |
| Legal reserve   | 509,861                      | 5          | 509,861                        | 6          | 430,775                      | 5          |
| Special reserve   | 67,764                       | 1          | 67,764                         | 1          | 69,489                       | 1          |
| Unappropriated earnings   | 3,109,347                    | 34         | 2,829,865                      | 31         | 2,373,143                    | 29         |
| Total retained earnings   | <u>3,686,972</u>             | <u>40</u>  | <u>3,407,490</u>               | <u>38</u>  | <u>2,873,407</u>             | <u>35</u>  |
| Other equity  |                              |            |                                |            |                              |            |
| Exchange differences on the translation of the financial statements of foreign operations | (50,615)                     | (1)        | (116,523)                      | (1)        | (168,226)                    | (2)        |
| Unrealized gain on financial assets at fair value through other comprehensive income      | 715,404                      | 8          | 919,642                        | 10         | 706,416                      | 8          |
| Total other equity  | <u>664,789</u>               | <u>7</u>   | <u>803,119</u>                 | <u>9</u>   | <u>538,190</u>               | <u>6</u>   |
| Treasury shares   | (54,371)                     | (1)        | (54,371)                       | (1)        | (54,371)                     | (1)        |
| Total equity attributable to owners of the Company  | 6,516,098                    | 71         | 6,374,786                      | 70         | 5,574,292                    | 67         |
| <b>NON-CONTROLLING INTERESTS</b>  | -                            | -          | -                              | -          | 41,660                       | 1          |
| Total equity  | <u>6,516,098</u>             | <u>71</u>  | <u>6,374,786</u>               | <u>70</u>  | <u>5,615,952</u>             | <u>68</u>  |
| <b>TOTAL</b>  | <u>\$ 9,115,823</u>          | <u>100</u> | <u>\$ 9,086,116</u>            | <u>100</u> | <u>\$ 8,307,216</u>          | <u>100</u> |

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated May 3, 2022)

## PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

|   | For the Three Months Ended March 31 |            |                  |            |
|---|-------------------------------------|------------|------------------|------------|
|   | 2022                                |            | 2021             |            |
|   | Amount                              | %          | Amount           | %          |
| NET SALES (Note 23)   | \$ 1,273,406                        | 100        | \$ 1,460,606     | 100        |
| COST OF SALES (Note 10)   | <u>928,738</u>                      | <u>73</u>  | <u>1,113,194</u> | <u>76</u>  |
| GROSS PROFIT  | <u>344,668</u>                      | <u>27</u>  | <u>347,412</u>   | <u>24</u>  |
| OPERATING EXPENSES  |                                     |            |                  |            |
| Selling and marketing expenses  | 35,096                              | 3          | 41,419           | 3          |
| General and administrative expenses   | 36,143                              | 3          | 42,056           | 3          |
| Research and development expenses   | <u>19,744</u>                       | <u>1</u>   | <u>18,659</u>    | <u>1</u>   |
| Total operating expenses  | <u>90,983</u>                       | <u>7</u>   | <u>102,134</u>   | <u>7</u>   |
| PROFIT FROM OPERATIONS  | <u>253,685</u>                      | <u>20</u>  | <u>245,278</u>   | <u>17</u>  |
| NON-OPERATING INCOME AND EXPENSES   |                                     |            |                  |            |
| Interest income   | 5,092                               | -          | 3,552            | -          |
| Other income  | 5,309                               | 1          | 4,119            | -          |
| Gain on disposal of property, plant and equipment                             | 330                                 | -          | 214              | -          |
| Gain on disposal of investments   | 17,286                              | 1          | 9                | -          |
| Gain on valuation of financial assets at FVTPL                                | -                                   | -          | 57,327           | 4          |
| Foreign exchange profit   | 31,203                              | 3          | 11,043           | 1          |
| Gain on reversal of impairment loss   | 1,502                               | -          | 1,517            | -          |
| Share of profit of associates accounted for using the equity method (Note 13) | 1,113                               | -          | 17,864           | 1          |
| Miscellaneous expenses  | (843)                               | -          | (1,699)          | -          |
| Interest expense  | (2,508)                             | -          | (2,360)          | -          |
| Loss on valuation of financial assets at FVTPL                                | <u>(34,561)</u>                     | <u>(3)</u> | <u>-</u>         | <u>-</u>   |
| Total non-operating income and expenses                                       | <u>23,923</u>                       | <u>2</u>   | <u>91,586</u>    | <u>6</u>   |
| PROFIT BEFORE INCOME TAX  | 277,608                             | 22         | 336,864          | 23         |
| INCOME TAX EXPENSE (Notes 4 and 21)   | <u>(58,496)</u>                     | <u>(5)</u> | <u>(65,316)</u>  | <u>(4)</u> |
| NET PROFIT FOR THE PERIOD   | <u>219,112</u>                      | <u>17</u>  | <u>271,548</u>   | <u>19</u>  |

(Continued)

# PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

|  | <u>For the Three Months Ended March 31</u> |            |                   |           |
|--|--|------------|-------------------|-----------|
|  | <u>2022</u>                                |            | <u>2021</u>       |           |
|  | Amount                                     | %          | Amount            | %         |
| OTHER COMPREHENSIVE INCOME (LOSS)  |  |            |                   |           |
| (Note 19)  |  |            |                   |           |
| Items that will not be reclassified subsequently to profit or loss:  |  |            |                   |           |
| Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income | \$ (134,956)                               | (10)       | \$ 122,533        | 8         |
| Share of the other comprehensive (loss) income of associates accounted for using the equity method           | (8,693)                                    | (1)        | 6,844             | 1         |
| Items that may be reclassified subsequently to profit or loss:   |  |            |                   |           |
| Exchange differences on the translation of the financial statements of foreign operations                    | 64,423                                     | 5          | 17,293            | 1         |
| Share of the other comprehensive income (loss) of associates accounted for using the equity method           | <u>1,485</u>                               | <u>-</u>   | <u>(74)</u>       | <u>-</u>  |
| Other comprehensive (loss) income for the period   | <u>(77,741)</u>                            | <u>(6)</u> | <u>146,596</u>    | <u>10</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD  | <u>\$ 141,371</u>                          | <u>11</u>  | <u>\$ 418,144</u> | <u>29</u> |
| NET PROFIT ATTRIBUTABLE TO:  |  |            |                   |           |
| Owners of the Company  | \$ 219,112                                 | 17         | \$ 270,821        | 19        |
| Non-controlling interests  | <u>-</u>                                   | <u>-</u>   | <u>727</u>        | <u>-</u>  |
|  | <u>\$ 219,112</u>                          | <u>17</u>  | <u>\$ 271,548</u> | <u>19</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:  |  |            |                   |           |
| Owners of the Company  | \$ 141,371                                 | 11         | \$ 417,059        | 29        |
| Non-controlling interests  | <u>-</u>                                   | <u>-</u>   | <u>1,085</u>      | <u>-</u>  |
|  | <u>\$ 141,371</u>                          | <u>11</u>  | <u>\$ 418,144</u> | <u>29</u> |
| EARNINGS PER SHARE (Note 22)   |  |            |                   |           |
| Basic  | <u>\$ 1.28</u>                             |            | <u>\$ 1.57</u>    |           |
| Diluted  | <u>\$ 1.28</u>                             |            | <u>\$ 1.57</u>    |           |

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated May 3, 2022)

(Concluded)

**PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

|  | Equity Attributable to Owners of the Company |               |                 |                   |                 |                         |   |   |                 |              |                           |              |
|--|--|---------------|-----------------|-------------------|-----------------|-------------------------|---|---|-----------------|--------------|---------------------------|--------------|
|  | Share Capital                                |               | Capital Surplus | Retained Earnings |                 |                         | Other Equity  |   | Treasury Shares | Total        | Non-controlling Interests | Total Equity |
|  | Number of Shares (In Thousands)              | Share Capital |                 | Legal Reserve     | Special Reserve | Unappropriated Earnings | Exchange Differences on the Translation of the Financial Statements of Foreign Operations | Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income |                 |              |                           |              |
| BALANCE AT JANUARY 1, 2021   | 172,000                                      | \$ 1,720,000  | \$ 497,066      | \$ 430,775        | \$ 69,489       | \$ 2,102,322            | \$ (185,087)  | \$ 577,039  | \$ -            | \$ 5,211,604 | \$ 40,575                 | \$ 5,252,179 |
| Net profit for the three months ended March 31, 2021   | -  | -             | -               | -                 | -               | 270,821                 | -   | -   | -               | 270,821      | 727                       | 271,548      |
| Other comprehensive income for the three months ended March 31, 2021   | -  | -             | -               | -                 | -               | -                       | 16,861  | 129,377   | -               | 146,238      | 358                       | 146,596      |
| Total comprehensive income for the three months ended March 31, 2021   | -  | -             | -               | -                 | -               | 270,821                 | 16,861  | 129,377   | -               | 417,059      | 1,085                     | 418,144      |
| Buy-back of ordinary shares (Note 19)  | -  | -             | -               | -                 | -               | -                       | -   | -   | (54,371)        | (54,371)     | -                         | (54,371)     |
| BALANCE AT MARCH 31, 2021  | 172,000                                      | \$ 1,720,000  | \$ 497,066      | \$ 430,775        | \$ 69,489       | \$ 2,373,143            | \$ (168,226)  | \$ 706,416  | \$ (54,371)     | \$ 5,574,292 | \$ 41,660                 | \$ 5,615,952 |
| BALANCE AT JANUARY 1, 2022   | 172,000                                      | \$ 1,720,000  | \$ 498,548      | \$ 509,861        | \$ 67,764       | \$ 2,829,865            | \$ (116,523)  | \$ 919,642  | \$ (54,371)     | \$ 6,374,786 | \$ -                      | \$ 6,374,786 |
| Change in capital surplus from investments in associates accounted for using the equity method                         | -  | -             | 160             | -                 | -               | (219)                   | -   | -   | -               | (59)         | -                         | (59)         |
| Net profit for the three months ended March 31, 2022   | -  | -             | -               | -                 | -               | 219,112                 | -   | -   | -               | 219,112      | -                         | 219,112      |
| Other comprehensive income for the three months ended March 31, 2022   | -  | -             | -               | -                 | -               | -                       | 65,908  | (143,649)   | -               | (77,741)     | -                         | (77,741)     |
| Total comprehensive income for the three months ended March 31, 2022   | -  | -             | -               | -                 | -               | 219,112                 | 65,908  | (143,649)   | -               | 141,371      | -                         | 141,371      |
| Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Note 19) | -  | -             | -               | -                 | -               | 60,589                  | -   | (60,589)  | -               | -            | -                         | -            |
| BALANCE AT MARCH 31, 2022  | 172,000                                      | \$ 1,720,000  | \$ 498,708      | \$ 509,861        | \$ 67,764       | \$ 3,109,347            | \$ (50,615)   | \$ 715,404  | \$ (54,371)     | \$ 6,516,098 | \$ -                      | \$ 6,516,098 |

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated May 3, 2022)

# PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

|   | For the Three Months Ended<br>March 31 |                |
|---|--|----------------|
|   | 2022                                   | 2021           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |  |                |
| Income before income tax  | \$ 277,608                             | \$ 336,864     |
| Adjustments for:  |  |                |
| Depreciation expense  | 113,101                                | 97,812         |
| Amortization expense  | 1,509                                  | 1,073          |
| Net loss (gain) on valuation of financial assets at FVTPL                                   | 34,561                                 | (57,327)       |
| Interest expense  | 2,508                                  | 2,360          |
| Interest income   | (5,092)                                | (3,552)        |
| Share of gain of associates accounted for using the equity method                           | (1,113)                                | (17,864)       |
| Gain on disposal of property, plant and equipment   | (330)                                  | (214)          |
| Gain on disposal of investments   | (17,286)                               | (9)            |
| Impairment loss (reversal of impairment loss) of non-financial assets                       | 2,628                                  | (2,548)        |
| Changes in operating assets and liabilities   |  |                |
| Decrease in financial assets mandatorily classified as at fair value through profit or loss | 151,154                                | 9              |
| Decrease in notes receivable from unrelated parties   | 11,580                                 | 22,509         |
| Increase in trade receivables from unrelated parties  | (68,051)                               | (90,821)       |
| Decrease (increase) in trade receivables from related parties                               | 49,075                                 | (5,465)        |
| (Increase) decrease in other receivables from unrelated parties                             | (14,054)                               | 5,544          |
| (Increase) decrease in other receivables from related parties                               | (9,008)                                | 690            |
| Decrease (increase) in inventories  | 34,011                                 | (83,898)       |
| Decrease (increase) in other current assets   | 12,113                                 | (9,398)        |
| Increase in other non-current assets  | (1,490)                                | -              |
| (Decrease) increase in trade payables to unrelated parties                                  | (30,446)                               | 30,878         |
| Increase (decrease) in trade payables to related parties                                    | 1,506                                  | (2,205)        |
| Decrease in other payables to unrelated parties   | (54,823)                               | (10,390)       |
| Increase (decrease) in other payables to related parties                                    | 332                                    | (7,624)        |
| Decrease in other current liabilities   | (3,897)                                | (12,474)       |
| Decrease in net defined benefit liabilities   | (16,393)                               | (528)          |
| Cash generated from operations  | 469,703                                | 193,422        |
| Interest received   | 10,690                                 | 3,883          |
| Interest paid   | (2,503)                                | (2,366)        |
| Income tax paid   | (7,105)                                | (11,240)       |
| Net cash generated from operating activities  | <u>470,785</u>                         | <u>183,699</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |  |                |
| Disposal of financial assets at fair value through other comprehensive income               | 115,244                                | -              |
| Disposal of financial assets at amortized cost  | 170,092                                | 91,713         |
| Purchase of investments accounted for using the equity methods                              | (7,179)                                | -              |
| Payments for property, plant and equipment  | (139,198)                              | (190,053)      |

(Continued)



# PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

|   | For the Three Months Ended |                     |
|---|----------------------------|---------------------|
|   | March 31                   |                     |
|   | 2022                       | 2021                |
| Proceeds from disposal of property, plant and equipment                               | \$ 396                     | \$ 214              |
| (Increase) decrease in refundable deposits  | <u>(745)</u>               | <u>4,744</u>        |
| Net cash generated from (used in) investing activities                                | <u>138,610</u>             | <u>(93,382)</u>     |
| CASH FLOWS FROM FINANCING ACTIVITIES  |                            |                     |
| Proceeds from (repayments of) short-term borrowings                                   | 20,000                     | (20,000)            |
| Proceeds from long-term borrowings  | 1,045                      | -                   |
| Proceeds from (repayments of) guaranteed deposits received                            | 106                        | (53)                |
| Repayment of the principal portion of lease liabilities                               | (8,412)                    | (7,148)             |
| Decrease in other non-current liabilities   | (1,045)                    | -                   |
| Payments for buy-back of ordinary shares  | <u>-</u>                   | <u>(54,371)</u>     |
| Net cash generated from (used in) financing activities                                | <u>11,694</u>              | <u>(81,572)</u>     |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE<br>OF CASH HELD IN FOREIGN CURRENCIES | <u>33,233</u>              | <u>9,794</u>        |
| NET INCREASE IN CASH AND CASH EQUIVALENTS   | 654,322                    | 18,539              |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE<br>PERIOD                           | <u>1,312,198</u>           | <u>1,223,228</u>    |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD                                    | <u>\$ 1,966,520</u>        | <u>\$ 1,241,767</u> |

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated May 3, 2022)

(Concluded)

# PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 1. GENERAL INFORMATION

Prosperity Dielectrics Co., Ltd. (PDC or the “Company”) was incorporated on May 21, 1990. The Company mainly manufactures, processes and sells multilayer ceramic capacitors (MLCC), chip resistors, ceramic dielectric powders and magnetic elements.

The Company’s shares have been listed on the mainboard of the Taipei Exchange (TPEX) since April 19, 2002. The parent company, Walsin Technology Corporation, held 43.13% of the common shares of the Company as of March 31, 2022 and 2021.

The consolidated financial statements of the Company and its subsidiaries (collectively known as the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on May 3, 2022.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

| New IFRSs  | Effective Date<br>Announced by IASB (Note 1) |
|--|--|
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture” | To be determined by IASB                     |
| IFRS 17 “Insurance Contracts”  | January 1, 2023                              |
| Amendments to IFRS 17  | January 1, 2023                              |
| Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”                              | January 1, 2023                              |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”  | January 1, 2023                              |
| Amendments to IAS 1 “Disclosure of Accounting Policies”  | January 1, 2023 (Note 2)                     |
| Amendments to IAS 8 “Definition of Accounting Estimates”   | January 1, 2023 (Note 3)                     |
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”                  | January 1, 2023 (Note 4)                     |

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of compliance**

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

##### **b. Basis of preparation**

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

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

##### **c. Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income

of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 11, Tables 5 and 6 for the detailed information of subsidiaries (including the percentage of ownership and main businesses).

d. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2021.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY**

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

The Group considers the possible impact of the recent development of the COVID-19 when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

## 6. CASH AND CASH EQUIVALENTS

|   | March 31, 2022      | December 31,<br>2021 | March 31, 2021      |
|---|---------------------|----------------------|---------------------|
| Cash on hand  | \$ 694              | \$ 494               | \$ 593              |
| Checking accounts and demand deposits                                       | 631,824             | 536,711              | 610,271             |
| Cash equivalents (investments with original maturities of 3 months or less) |                     |                      |                     |
| Time deposits   | 662,725             | 255,866              | 164,138             |
| Repurchase agreements collateralized by bonds                               | <u>671,277</u>      | <u>519,127</u>       | <u>466,765</u>      |
|   | <u>\$ 1,966,520</u> | <u>\$ 1,312,198</u>  | <u>\$ 1,241,767</u> |

The market rate intervals of cash equivalents were as follows:

|  | March 31, 2022 | December 31,<br>2021 | March 31, 2021 |
|--|----------------|----------------------|----------------|
| Time deposits with original maturities of 3 months or less | 0.36%-2.6%     | 1.1%-2.4%            | 1.755%-2.4%    |
| Repurchase agreements collateralized by bonds              | 0.23%-0.35%    | 0.23%-0.24%          | 0.22%-0.35%    |

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

|  | March 31, 2022    | December 31,<br>2021 | March 31, 2021    |
|--|-------------------|----------------------|-------------------|
| <u>Financial assets mandatorily classified as at FVTPL - current</u> |                   |                      |                   |
| Non-derivative financial assets                                      |                   |                      |                   |
| Domestic listed shares   | \$ 304,188        | \$ 389,047           | \$ 372,556        |
| Mutual funds   | 59,449            | 56,934               | -                 |
| Governments bonds  | <u>-</u>          | <u>86,085</u>        | <u>-</u>          |
|  | <u>\$ 363,637</u> | <u>\$ 532,066</u>    | <u>\$ 372,556</u> |

## 8. FINANCIAL ASSETS AT AMORTIZED COST

|  | March 31, 2022   | December 31,<br>2021 | March 31, 2021    |
|--|------------------|----------------------|-------------------|
| <u>Current</u>   |                  |                      |                   |
| Time deposits with original maturities of more than 3 months (a) | \$ 75,634        | \$ 247,885           | \$ 182,809        |
| Restricted deposits (b)  | <u>15,313</u>    | <u>14,812</u>        | <u>58,834</u>     |
|  | <u>\$ 90,947</u> | <u>\$ 262,697</u>    | <u>\$ 241,643</u> |
| <u>Non-current</u>   |                  |                      |                   |
| Time deposits with original maturities of more than 1 year (a)   | <u>\$ 45,134</u> | <u>\$ 43,476</u>     | <u>\$ 174,067</u> |

- a. The ranges of interest rates for time deposits with original maturities of more than 3 months and 1 year were as follows:

|  | March 31, 2022 | December 31,<br>2021 | March 31, 2021 |
|--|----------------|----------------------|----------------|
| Time deposits with original maturities of more than 3 months | 1.05%-3.15%    | 0.8%-3.15%           | 0.8%-2.25%     |
| Time deposits with original maturities of more than 1 year   | 4.125%         | 4.125%               | 3.15%-4.125%   |

- b. These foreign currency deposits are repatriated and held in a special account in accordance with the regulations stipulated in “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act”.

## 9. NOTES RECEIVABLE AND TRADE RECEIVABLES

|   | March 31, 2022     | December 31,<br>2021 | March 31, 2021     |
|---|--------------------|----------------------|--------------------|
| <u>Notes receivable from unrelated parties</u>  |                    |                      |                    |
| At amortized cost                               |                    |                      |                    |
| Gross carrying amount                           | \$ 39,302          | \$ 50,882            | \$ 37,716          |
| Less: Allowance for impairment loss             | <u>          -</u> | <u>          -</u>   | <u>          -</u> |
|   | <u>\$ 39,302</u>   | <u>\$ 50,882</u>     | <u>\$ 37,716</u>   |
| <u>Trade receivables from unrelated parties</u> |                    |                      |                    |
| At amortized cost                               |                    |                      |                    |
| Gross carrying amount                           | \$ 835,488         | \$ 767,367           | \$ 943,843         |
| Less: Allowance for impairment loss             | <u>(24,419)</u>    | <u>(24,349)</u>      | <u>(24,429)</u>    |
|   | <u>\$ 811,069</u>  | <u>\$ 743,018</u>    | <u>\$ 919,414</u>  |

The average credit period of sales of goods is 0 to 120 days. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group’s exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group’s credit risk was significantly reduced.

The Group measures the loss allowance for notes receivable and trade receivables at an amount equal to lifetime ECLs. The expected credit losses on notes receivable and trade receivables are estimated by reference to the past default experience of the customers and the customers’ current financial positions. As the Group’s historical credit loss experience does not show significantly different loss patterns for different customer segments, the Group determines the expected credit loss rate only by reference to the past due days of notes receivable and accounts receivable.

The Group writes off a note receivable or trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivable and trade receivables based on the customers' past default records and current financial positions:

March 31, 2022

|                                   | <b>Not Past Due</b> | <b>1 to 30 Days Past Due</b> | <b>31 to 60 Days Past Due</b> | <b>61 to 90 Days Past Due</b> | <b>91 to 180 Days Past Due</b> | <b>Over 180 Days Past Due</b> | <b>Total</b>      |
|-----------------------------------|---------------------|------------------------------|-------------------------------|-------------------------------|--------------------------------|-------------------------------|-------------------|
| Expected credit loss rate         | 1%-4%               | 5%                           | 10%                           | 20%                           | 50%                            | 100%                          |                   |
| Gross carrying amount             | \$ 856,272          | \$ 6,436                     | \$ 10,621                     | \$ 1,364                      | \$ -                           | \$ 97                         | \$ 874,790        |
| Loss allowance<br>(Lifetime ECLs) | <u>(22,665)</u>     | <u>(322)</u>                 | <u>(1,062)</u>                | <u>(273)</u>                  | <u>-</u>                       | <u>(97)</u>                   | <u>(24,419)</u>   |
| Amortized cost                    | <u>\$ 833,607</u>   | <u>\$ 6,114</u>              | <u>\$ 9,559</u>               | <u>\$ 1,091</u>               | <u>\$ -</u>                    | <u>\$ -</u>                   | <u>\$ 850,371</u> |

December 31, 2021

|                                   | <b>Not Past Due</b> | <b>1 to 30 Days Past Due</b> | <b>31 to 60 Days Past Due</b> | <b>61 to 90 Days Past Due</b> | <b>91 to 180 Days Past Due</b> | <b>Over 180 Days Past Due</b> | <b>Total</b>      |
|-----------------------------------|---------------------|------------------------------|-------------------------------|-------------------------------|--------------------------------|-------------------------------|-------------------|
| Expected credit loss rate         | 1%-4%               | 5%                           | 10%                           | 20%                           | 50%                            | 100%                          |                   |
| Gross carrying amount             | \$ 797,549          | \$ 11,350                    | \$ 7,894                      | \$ 204                        | \$ 1,252                       | \$ -                          | \$ 818,249        |
| Loss allowance<br>(Lifetime ECLs) | <u>(22,326)</u>     | <u>(567)</u>                 | <u>(789)</u>                  | <u>(41)</u>                   | <u>(626)</u>                   | <u>-</u>                      | <u>(24,349)</u>   |
| Amortized cost                    | <u>\$ 775,223</u>   | <u>\$ 10,783</u>             | <u>\$ 7,105</u>               | <u>\$ 163</u>                 | <u>\$ 626</u>                  | <u>\$ -</u>                   | <u>\$ 793,900</u> |

March 31, 2021

|                                   | <b>Not Past Due</b> | <b>1 to 30 Days Past Due</b> | <b>31 to 60 Days Past Due</b> | <b>61 to 90 Days Past Due</b> | <b>91 to 180 Days Past Due</b> | <b>Over 180 Days Past Due</b> | <b>Total</b>      |
|-----------------------------------|---------------------|------------------------------|-------------------------------|-------------------------------|--------------------------------|-------------------------------|-------------------|
| Expected credit loss rate         | 1%-4%               | 5%                           | 10%                           | 20%                           | 50%                            | 100%                          |                   |
| Gross carrying amount             | \$ 974,513          | \$ 934                       | \$ 5,647                      | \$ 57                         | \$ -                           | \$ 408                        | \$ 981,559        |
| Loss allowance<br>(Lifetime ECLs) | <u>(23,398)</u>     | <u>(47)</u>                  | <u>(565)</u>                  | <u>(11)</u>                   | <u>-</u>                       | <u>(408)</u>                  | <u>(24,429)</u>   |
| Amortized cost                    | <u>\$ 951,115</u>   | <u>\$ 887</u>                | <u>\$ 5,082</u>               | <u>\$ 46</u>                  | <u>\$ -</u>                    | <u>\$ -</u>                   | <u>\$ 957,130</u> |

The movements of the loss allowance of notes receivable and trade receivables were as follows:

|                              | <b>For the Three Months Ended<br/>March 31</b> |                  |
|------------------------------|--|------------------|
|                              | <b>2022</b>                                    | <b>2021</b>      |
| Balance at January 1         | \$ 24,349                                      | \$ 24,410        |
| Foreign exchange differences | <u>70</u>                                      | <u>19</u>        |
| Balance at March 31          | <u>\$ 24,419</u>                               | <u>\$ 24,429</u> |

## 10. INVENTORIES

|                      | March 31, 2022    | December 31,<br>2021 | March 31, 2021    |
|----------------------|-------------------|----------------------|-------------------|
| Finished goods       | \$ 230,518        | \$ 246,345           | \$ 191,613        |
| Semi-finished goods  | 69,997            | 74,745               | 65,427            |
| Work in progress     | 154,466           | 128,389              | 154,766           |
| Raw materials        | 326,815           | 362,538              | 297,603           |
| Inventory in transit | <u>633</u>        | <u>8,553</u>         | <u>14,384</u>     |
|                      | <u>\$ 782,429</u> | <u>\$ 820,570</u>    | <u>\$ 723,793</u> |

The nature of the cost of goods sold is as follows:

|                                  | <b>For the Three Months Ended<br/>March 31</b> |                     |
|----------------------------------|--|---------------------|
|                                  | <b>2022</b>                                    | <b>2021</b>         |
| Cost of inventories sold         | \$ 924,608                                     | \$ 1,114,225        |
| Inventory write-downs (reversed) | <u>4,130</u>                                   | <u>(1,031)</u>      |
|                                  | <u>\$ 928,738</u>                              | <u>\$ 1,113,194</u> |

The reversal of inventory write-downs is due to the removal of the inventory that was previously recognized as inventory write-downs.

## 11. SUBSIDIARIES

### Subsidiaries Included in the Consolidated Financial Statements

| Investor                                | Investee   | Nature of Activities  | Proportion of Ownership (%) |                      |                   |
|---|--|---|-----------------------------|----------------------|-------------------|
|   |  |   | March 31,<br>2022           | December 31,<br>2021 | March 31,<br>2021 |
| Prosperity Dielectrics Co., Ltd.        | PDC Prime Holdings Limited                             | Investment holding  | 100                         | 100                  | 100               |
| Prosperity Dielectrics Co., Ltd.        | Frontec International Corporation                      | Overseas investment   | 100                         | 100                  | 100               |
| PDC Prime Holdings Limited              | PDC Success Investments Ltd.                           | Investment holding  | 100                         | 100                  | 100               |
| PDC Prime Holdings Limited              | Frontier Components Co., Limited                       | International trade   | 100                         | 100                  | 100               |
| PDC Prime Holdings Limited              | Prosperity International Development (HK) Co., Limited | Investment holding  | 100                         | 100                  | 100               |
| PDC Success Investments Ltd.            | PDC Electronics (Suzhou) Co., Ltd.                     | Manufacturing of electronic components and ceramic materials                                      | 100                         | 100                  | 100               |
| Frontec International Corporation       | Hunan Frontier Electronics Co., Ltd.                   | Manufacturing and selling transformers, coils and magnetic elements                               | -                           | -                    | 100<br>(Note 1)   |
| Frontec International Corporation       | Prosperity Frontier Electronics (Shenzhen) Co., Ltd.   | Manufacturing and selling chip components, power electronic devices and new electronic components | 100                         | 100<br>(Note 2)      | 70                |
| Frontier Components Co., Limited        | Dongguan Frontier Electronics Co., Ltd.                | Selling of electronic components  | 100                         | 100                  | 100               |
| Dongguan Frontier Electronics Co., Ltd. | Prosperity Frontier Electronics (Guangzhou) Co., Ltd.  | Manufacturing and selling chip components, power electronic devices and new electronic components | 100                         | 100<br>(Note 3)      | -                 |

Note 1: In May 2021, Frontec International Corporation sold its share capital in Hunan Frontier Electronics Co., Ltd. to INPAQ Technology (Suzhou) Co., Ltd. This transaction was an organizational restructuring.

Note 2: In May 2021, Frontec International Corporation acquired 30% of the shares of Prosperity Frontier Electronics (Shenzhen) Co., Ltd. from the third party.



Note 3: Prosperity Frontier Electronics (Guangzhou) Co., Ltd. was established in May 2021.

The above-mentioned subsidiaries included in the consolidated financial statements have been reviewed for the three months ended March 31, 2022 and 2021 and have been audited for the year ended December 31, 2021.

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Investments in Equity Instruments

|  | March 31, 2022      | December 31,<br>2021 | March 31, 2021      |
|--|---------------------|----------------------|---------------------|
| <u>Non-current</u>                     |                     |                      |                     |
| Domestic investments - listed shares   | \$ 1,204,727        | \$ 1,448,999         | \$ 1,222,569        |
| Domestic investments - unlisted shares | 152,147             | 158,075              | 128,231             |
| Foreign investments - unlisted shares  | <u>-</u>            | <u>-</u>             | <u>18,997</u>       |
|  | <u>\$ 1,356,874</u> | <u>\$ 1,607,074</u>  | <u>\$ 1,369,797</u> |

### Investments in Equity Instruments at FVTOCI

|   | March 31, 2022      | December 31,<br>2021 | March 31, 2021      |
|---|---------------------|----------------------|---------------------|
| <u>Non-current</u>  |                     |                      |                     |
| Domestic investments - listed shares                      |                     |                      |                     |
| Walton Advanced Engineering Inc.                          | \$ 532,990          | \$ 601,608           | \$ 448,413          |
| Walsin Lihwa Corporation                                  | 205,800             | 185,500              | 133,000             |
| HannStar Board Corporation                                | 239,770             | 257,342              | 279,732             |
| Singatron Enterprise Co., Ltd.                            | 154,881             | 329,642              | 311,615             |
| APAQ Technology Co., Ltd.                                 | 41,236              | 44,857               | 49,809              |
| Fubon Financial Holding Co., Ltd. - preferred<br>shares C | 30,050              | 30,050               | -                   |
| Domestic investments - unlisted shares                    |                     |                      |                     |
| Chin-Xin Investment Co., Ltd.                             | 152,147             | 158,075              | 128,231             |
| Foreign investments - unlisted shares                     |                     |                      |                     |
| Union Technology Corp.                                    | <u>-</u>            | <u>-</u>             | <u>18,997</u>       |
|   | <u>\$ 1,356,874</u> | <u>\$ 1,607,074</u>  | <u>\$ 1,369,797</u> |

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

### 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

#### Investment in Associates

|  | March 31, 2022    | December 31,<br>2021 | March 31, 2021    |
|--|-------------------|----------------------|-------------------|
| Chongqing Shuohong Investment Co., Ltd.  | \$ 605,427        | \$ 580,006           | \$ 444,722        |
| Chongqing Xincheng Electronics Co., Ltd. | 46,219            | 44,730               | 44,083            |
| GHPW Enterprise Corporation (HK) Limited | 64,611            | 62,330               | 57,946            |
| Walsin Color Corporation                 | 94,990            | 104,364              | 120,004           |
| Joyin Co., Ltd.                          | <u>50,295</u>     | <u>42,793</u>        | <u>-</u>          |
|  | <u>\$ 861,542</u> | <u>\$ 834,223</u>    | <u>\$ 666,755</u> |

Share of (loss) profit of associates for the three months ended March 31, 2022 and 2021 was summarized as follows:

|  | For the Three Months Ended<br>March 31 |                  |
|--|--|------------------|
|  | 2022                                   | 2021             |
| Chongqing Shuohong Investment Co., Ltd.  | \$ 3,226                               | \$ (1,356)       |
| Chongqing Xincheng Electronics Co., Ltd. | (212)                                  | 18,316           |
| GHPW Enterprise Corporation (HK) Limited | (117)                                  | (159)            |
| Walsin Color Corporation                 | (1,050)                                | 1,063            |
| Joyin Co., Ltd.                          | <u>(734)</u>                           | <u>-</u>         |
|  | <u>\$ 1,113</u>                        | <u>\$ 17,864</u> |

At the end of the reporting period, the proportion of ownership and voting rights in associates held by the Group was as follows:

|  | March 31, 2022 | December 31,<br>2021 | March 31, 2021 |
|--|----------------|----------------------|----------------|
| Chongqing Shuohong Investment Co., Ltd.  | 20.43%         | 20.43%               | 20.43%         |
| Chongqing Xincheng Electronics Co., Ltd. | 13.04%         | 13.04%               | 13.04%         |
| GHPW Enterprise Corporation (HK) Limited | 10%            | 10%                  | 10%            |
| Walsin Color Corporation                 | 3.36%          | 3.36%                | 3.36%          |
| Joyin Co., Ltd.                          | 4.02%          | 4.09%                | -              |

Even though PDC holds less than 20% of the voting rights each in Chongqing Xincheng Electronics Co., Ltd., GHPW Enterprise Corporation (HK) Limited, Walsin Color Corporation and Joyin Co Ltd., its parent company, Walsin Technology Corporation, exercises significant influence over those companies; therefore, they are accounted for using the equity method.

In January 2022, the Group subscribed for additional new shares of Joyin Co., Ltd. at a percentage different from its existing ownership percentage, and reduced its continuing interest from 4.09% to 4.02%.

Refer to Table 5 “Information on Investments” and Table 6 “Information on Investments in Mainland China” for the nature of activities, principal places of business and countries of incorporation of the associates.

Except for Joyin Co., Ltd., the share of profit or loss and other comprehensive income of the investments in associates accounted for using the equity method for the three months ended March 31, 2022 and 2021 was recognized based on the associates' financial statements reviewed by independent accountants for the same periods.

#### 14. PROPERTY, PLANT AND EQUIPMENT

|  | Land              | Buildings           | Machinery and Equipment | Office Equipment | Other Equipment   | Property under Construction and Prepayments for Equipment | Total               |
|--|-------------------|---------------------|-------------------------|------------------|-------------------|---|---------------------|
| <b>Cost</b>                                      |                   |                     |                         |                  |                   |   |                     |
| Balance at January 1, 2021                       | \$ 302,220        | \$ 1,112,664        | \$ 2,520,276            | \$ 48,992        | \$ 221,077        | \$ 82,493   | \$ 4,287,722        |
| Additions  | -                 | 12                  | 342                     | -                | 33                | 142,732   | 143,119             |
| Disposals  | -                 | (3,076)             | (30,917)                | -                | (91)              | -   | (34,084)            |
| Effect of foreign currency exchange differences  | -                 | 3,455               | 4,699                   | 112              | 479               | 26  | 8,771               |
| Reclassifications                                | -                 | 30,247              | 82,218                  | 2,203            | 3,244             | (112,039)   | 5,873               |
| Balance at March 31, 2021                        | <u>\$ 302,220</u> | <u>\$ 1,143,302</u> | <u>\$ 2,576,618</u>     | <u>\$ 51,307</u> | <u>\$ 224,742</u> | <u>\$ 113,212</u>   | <u>\$ 4,411,401</u> |
| <b>Accumulated depreciation and impairment</b>   |                   |                     |                         |                  |                   |   |                     |
| Balance at January 1, 2021                       | \$ -              | \$ 657,748          | \$ 1,432,022            | \$ 28,848        | \$ 168,753        | \$ -  | \$ 2,287,371        |
| Depreciation expenses                            | -                 | 21,016              | 63,656                  | 1,670            | 4,055             | -   | 90,397              |
| Disposals  | -                 | (3,076)             | (30,917)                | -                | (91)              | -   | (34,084)            |
| Reversals of impairment losses                   | -                 | (1,502)             | (15)                    | -                | -                 | -   | (1,517)             |
| Effects of foreign currency exchange differences | -                 | 1,936               | 3,569                   | 81               | 431               | -   | 6,017               |
| Reclassifications                                | -                 | 6,010               | -                       | -                | 476               | -   | 6,486               |
| Balance at March 31, 2021                        | <u>\$ -</u>       | <u>\$ 682,132</u>   | <u>\$ 1,468,315</u>     | <u>\$ 30,599</u> | <u>\$ 173,624</u> | <u>\$ -</u>   | <u>\$ 2,354,670</u> |
| Carrying amount at March 31, 2021                | <u>\$ 302,220</u> | <u>\$ 461,170</u>   | <u>\$ 1,108,303</u>     | <u>\$ 20,708</u> | <u>\$ 51,118</u>  | <u>\$ 113,212</u>   | <u>\$ 2,056,731</u> |
| <b>Cost</b>                                      |                   |                     |                         |                  |                   |   |                     |
| Balance at January 1, 2022                       | \$ 302,220        | \$ 1,025,510        | \$ 2,824,847            | \$ 46,650        | \$ 234,853        | \$ 114,906  | \$ 4,548,986        |
| Additions  | -                 | 1                   | 782                     | -                | -                 | 49,154  | 49,937              |
| Disposals  | -                 | (149)               | (5,052)                 | (82)             | (4,482)           | -   | (9,765)             |
| Effect of foreign currency exchange differences  | -                 | 7,413               | 10,708                  | 60               | 1,502             | 6   | 19,689              |
| Reclassifications                                | -                 | 9,306               | 46,479                  | 3,565            | 5,774             | (59,114)  | 6,010               |
| Balance at March 31, 2022                        | <u>\$ 302,220</u> | <u>\$ 1,042,081</u> | <u>\$ 2,877,764</u>     | <u>\$ 50,193</u> | <u>\$ 237,647</u> | <u>\$ 104,952</u>   | <u>\$ 4,614,857</u> |
| <b>Accumulated depreciation and impairment</b>   |                   |                     |                         |                  |                   |   |                     |
| Balance at January 1, 2022                       | \$ -              | \$ 671,534          | \$ 1,457,043            | \$ 26,705        | \$ 175,030        | \$ -  | \$ 2,330,312        |
| Depreciation expenses                            | -                 | 22,441              | 75,439                  | 1,652            | 5,097             | -   | 104,629             |
| Disposals  | -                 | (149)               | (4,986)                 | (82)             | (4,482)           | -   | (9,699)             |
| Reversals of impairment losses                   | -                 | (1,502)             | -                       | -                | -                 | -   | (1,502)             |
| Effects of foreign currency exchange differences | -                 | 6,254               | 7,328                   | 54               | 1,455             | -   | 15,091              |
| Reclassifications                                | -                 | 6,010               | -                       | -                | 478               | -   | 6,488               |
| Balance at March 31, 2022                        | <u>\$ -</u>       | <u>\$ 704,588</u>   | <u>\$ 1,534,824</u>     | <u>\$ 28,329</u> | <u>\$ 177,578</u> | <u>\$ -</u>   | <u>\$ 2,445,319</u> |
| Carrying amount at March 31, 2022                | <u>\$ 302,220</u> | <u>\$ 337,493</u>   | <u>\$ 1,342,940</u>     | <u>\$ 21,864</u> | <u>\$ 60,069</u>  | <u>\$ 104,952</u>   | <u>\$ 2,169,538</u> |

The above items of property, plant and equipment used by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

|   |             |
|---|-------------|
| Buildings                                 |             |
| Main buildings                            | 15-41 years |
| Electrical mechanical and power equipment | 2-21 years  |
| Engineering system                        | 2-25 years  |
| Others                                    | 2-35 years  |
| Machinery and equipment                   | 2-12 years  |
| Office equipment                          | 3-5 years   |
| Other equipment                           | 2-10 years  |

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

|   | March 31, 2022    | December 31,<br>2021                           | March 31, 2021    |
|---|-------------------|--|-------------------|
| <u>Carrying amount</u>                      |                   |  |                   |
| Land  | \$ 159,094        | \$ 163,960                                     | \$ 171,970        |
| Buildings                                   | 20,696            | 11,200   | 9,574             |
| Transportation equipment                    | <u>1,070</u>      | <u>1,250</u>                                   | <u>838</u>        |
|   | <u>\$ 180,860</u> | <u>\$ 176,410</u>                              | <u>\$ 182,382</u> |
|   |                   | <u>For the Three Months Ended<br/>March 31</u> |                   |
|   |                   | 2022   | 2021              |
| Additions to right-of-use assets            |                   | <u>\$ 12,319</u>                               | <u>\$ -</u>       |
| Depreciation charge for right-of-use assets |                   |  |                   |
| Land  |                   | \$ 5,182                                       | \$ 4,989          |
| Buildings                                   |                   | 3,175  | 2,323             |
| Transportation equipment                    |                   | <u>115</u>                                     | <u>103</u>        |
|   |                   | <u>\$ 8,472</u>                                | <u>\$ 7,415</u>   |

Except for the recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets for the three months ended March 31, 2022 and 2021.

### b. Lease liabilities

|                        | March 31, 2022    | December 31,<br>2021 | March 31, 2021    |
|------------------------|-------------------|----------------------|-------------------|
| <u>Carrying amount</u> |                   |                      |                   |
| Current                | <u>\$ 30,344</u>  | <u>\$ 25,573</u>     | <u>\$ 27,914</u>  |
| Non-current            | <u>\$ 153,754</u> | <u>\$ 154,131</u>    | <u>\$ 154,032</u> |

The discount rates of lease liabilities were as follows:

|                          | <b>March 31, 2022</b> | <b>December 31,<br/>2021</b> | <b>March 31, 2021</b> |
|--------------------------|-----------------------|------------------------------|-----------------------|
| Land                     | 1%                    | 1%                           | 1%                    |
| Buildings                | 1%                    | 1%                           | 1%                    |
| Transportation equipment | 1%                    | 1%                           | 1%                    |

## 16. BORROWINGS

### a. Short-term borrowings

|                           | <b>March 31, 2022</b> | <b>December 31,<br/>2021</b> | <b>March 31, 2021</b> |
|---------------------------|-----------------------|------------------------------|-----------------------|
| Unsecured borrowings      |                       |                              |                       |
| Line of credit borrowings | <u>\$ 20,000</u>      | <u>\$ -</u>                  | <u>\$ -</u>           |
| Interest rate             | 0.8%                  | -                            | -                     |

### b. Long-term borrowings

|  | <b>March 31, 2022</b> | <b>December 31,<br/>2021</b> | <b>March 31, 2021</b> |
|--|-----------------------|------------------------------|-----------------------|
| E.SUN Commercial Bank  |                       |                              |                       |
| Line of credit borrowings: The loan limit is NT\$600,000 thousand. Repayment of the principal will be made in 24 equal monthly payments starting 2 years before the maturity date. |                       |                              |                       |
| Loan period  |                       |                              |                       |
| 2019.12.26-2024.12.15  | \$ 198,230            | \$ 197,980                   | \$ 197,248            |
| 2020.04.09-2024.12.15  | 99,115                | 98,990                       | 98,624                |
| 2020.07.09-2025.06.15  | 79,097                | 78,996                       | 78,705                |
| 2020.08.07-2025.06.15  | 98,872                | 98,746                       | 98,381                |
| 2021.11.09-2025.06.15  | 59,323                | 59,247                       | -                     |
| Taishin International Bank   |                       |                              |                       |
| Line of credit borrowings: The loan limit is NT\$600,000 thousand. Repayment of the principal will be made in 24 equal monthly payments starting 2 years before the maturity date. |                       |                              |                       |
| Loan period  |                       |                              |                       |
| 2019.12.10-2024.12.10  | 99,157                | 99,033                       | 98,667                |
| 2020.04.29-2024.12.10  | 99,157                | 99,033                       | 98,667                |

(Continued)

|  | March 31, 2022    | December 31,<br>2021 | March 31, 2021            |
|--|-------------------|----------------------|---------------------------|
| First Commercial Bank  |                   |                      |                           |
| Line of credit borrowings: The loan limit is NT\$900,000 thousand. Repayment of the principal will be made in 24 equal monthly payments starting 2 years before the maturity date. |                   |                      |                           |
| Loan period  |                   |                      |                           |
| 2020.03.02-2025.03.02  | \$ 94,083         | \$ 93,964            | \$ 93,617                 |
| Less: Current portion  | <u>(74,792)</u>   | <u>(8,333)</u>       | <u>-</u>                  |
| Long-term borrowings   | <u>\$ 752,242</u> | <u>\$ 817,656</u>    | <u>\$ 763,909</u>         |
| Interest rate  | 0.7%-0.85%        | 0.45%-0.6%           | 0.45%-0.6%<br>(Concluded) |

#### 17. OTHER LIABILITIES

|   | March 31, 2022    | December 31,<br>2021 | March 31, 2021    |
|---|-------------------|----------------------|-------------------|
| <u>Current</u>  |                   |                      |                   |
| Payables expense  | \$ 389,322        | \$ 418,547           | \$ 407,901        |
| Payables for purchases of equipment   | 144,667           | 235,401              | 165,449           |
| Payables for annual leave   | 7,955             | 7,362                | 9,996             |
| Payables for remuneration of directors and supervisors and employee bonuses | 24,646            | 50,832               | 21,502            |
| Payables for dividends  | <u>500</u>        | <u>500</u>           | <u>500</u>        |
|   | <u>\$ 567,090</u> | <u>\$ 712,642</u>    | <u>\$ 605,348</u> |
| <u>Non-current</u>  |                   |                      |                   |
| Deferred revenue  |                   |                      |                   |
| Arising from government grants  | <u>\$ 7,966</u>   | <u>\$ 9,011</u>      | <u>\$ 11,091</u>  |

#### 18. PROVISIONS

|   | March 31, 2022  | December 31,<br>2021 | March 31, 2021  |
|---|-----------------|----------------------|-----------------|
| <u>Current</u>                                  |                 |                      |                 |
| Employee benefits (presented in other payables) | <u>\$ 7,955</u> | <u>\$ 7,362</u>      | <u>\$ 9,996</u> |

The provision for employee benefits represents the accrual of employees' vested service leave entitlement.

## 19. EQUITY

### a. Share capital

#### Common shares

|   | March 31, 2022      | December 31,<br>2021 | March 31, 2021      |
|---|---------------------|----------------------|---------------------|
| Authorized shares (in thousands of shares)      | <u>220,000</u>      | <u>220,000</u>       | <u>220,000</u>      |
| Authorized capital                              | <u>\$ 2,200,000</u> | <u>\$ 2,200,000</u>  | <u>\$ 2,200,000</u> |
| Issued and paid shares (in thousands of shares) | <u>172,000</u>      | <u>172,000</u>       | <u>172,000</u>      |
| Issued capital                                  | <u>\$ 1,720,000</u> | <u>\$ 1,720,000</u>  | <u>\$ 1,720,000</u> |

Shares issued with par value of \$10 carry one vote per share and the right to dividends.

### b. Capital surplus

|   | March 31, 2022    | December 31,<br>2021 | March 31, 2021    |
|---|-------------------|----------------------|-------------------|
| <u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)</u> |                   |                      |                   |
| Issuance of common shares   | \$ 402,192        | \$ 402,192           | \$ 402,192        |
| Conversion of bonds   | 55,484            | 55,484               | 55,484            |
| Treasury share transactions   | 28,889            | 28,889               | 28,889            |
| Difference between consideration and carrying amount of subsidiaries acquired                                 | 1,456             | 1,456                | -                 |
| <u>May only be used to offset a deficit</u>   |                   |                      |                   |
| Share of changes in capital surplus of associates accounted for using the equity method                       | <u>10,687</u>     | <u>10,527</u>        | <u>10,501</u>     |
|   | <u>\$ 498,708</u> | <u>\$ 498,548</u>    | <u>\$ 497,066</u> |

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

### c. Retained earnings and dividend policy

Under the dividend policy as set forth in PDC's articles of incorporation (the "Articles"), where PDC made a profit in a fiscal year, the profit shall be first used to offset losses of previous years, setting aside as legal reserve 10% of the remaining profit until the legal reserve equals PDC's paid-in capital. After setting aside or reversing a special reserve in accordance with the law and regulations, additional appropriations may be made to the special reserve depending on business needs. Any remaining profit together with any undistributed retained earnings shall be used by PDC's board of directors as the basis of proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of the compensation of employees and remuneration of directors and supervisors, refer to compensation of employees and remuneration of directors and supervisors in Note 20-b.

In addition to the distribution of dividends in accordance with the Articles, cash dividends are limited to 50% of the total dividends distributed. The remaining retained earnings shall be distributed in the form of share dividends. However, should the Company obtain sufficient funds to meet its capital requirements during the current year, the cash distribution ratio can be raised to 100%. The Group should decide on the most appropriate dividend distribution policy and the form of payment based on the current year's actual operating condition, taking into consideration the following year's capital budget plans.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

When the cumulative net debit balance reserve from the prior period is appropriated as special reserve, the special reserve is only appropriated from the prior unappropriated earnings.

The appropriations of earnings for the years ended December 31, 2021 and 2020 which were proposed by the board of directors on May 3, 2022 and approved in the shareholders' meetings on July 6, 2021, respectively, were as follows:

|                                 | <b>For the Year Ended December 31</b> |             |
|---------------------------------|---------------------------------------|-------------|
|                                 | <b>2021</b>                           | <b>2020</b> |
| Legal reserve                   | \$ 115,063                            | \$ 79,086   |
| Cash dividends                  | 344,000                               | 344,000     |
| Cash dividends per share (NT\$) | 2                                     | 2           |

The appropriation of earnings for 2021 will be resolved by the shareholders in their meeting to be held on June 14, 2022.

d. Other equity items

The movements of other equity items were as follows:

|   | <b>For the Three Months Ended March 31, 2022</b>   |   |                   |
|---|--|---|-------------------|
|   | <b>Exchange Differences on the Translation of the Financial Statements of Foreign Operations</b> | <b>Unrealized Valuation Gain/(Loss) on Financial Assets at FVTOCI</b> | <b>Total</b>      |
| Balance at January 1  | \$ (116,523)   | \$ 919,642  | \$ 803,119        |
| Exchange differences on the translation of the net assets of foreign operations                   | 64,423   | -   | 64,423            |
| Unrealized gain on investments in equity instruments at FVTOCI                                    | -  | (134,956)   | (134,956)         |
| Share from associates accounted for using the equity method                                       | 1,485  | (8,693)   | (7,208)           |
| Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal | <u>-</u>   | <u>(60,589)</u>   | <u>(60,589)</u>   |
| Balance at March 31   | <u>\$ (50,615)</u>   | <u>\$ 715,404</u>   | <u>\$ 664,789</u> |



|   | <b>For the Three Months Ended March 31, 2021</b>   |   |                   |
|---|--|---|-------------------|
|   | <b>Exchange Differences on the Translation of the Financial Statements of Foreign Operations</b> | <b>Unrealized Valuation Gain/(Loss) on Financial Assets at FVTOCI</b> | <b>Total</b>      |
| Balance at January 1  | \$ (185,087)   | \$ 577,039  | \$ 391,952        |
| Exchange differences on the translation of the net assets of foreign operations | 16,935   | -   | 16,935            |
| Unrealized gain on investments in equity instruments at FVTOCI                  | -  | 122,533   | 122,533           |
| Share from associates accounted for using the equity method                     | <u>(74)</u>  | <u>6,844</u>  | <u>6,770</u>      |
| Balance at March 31   | <u>\$ (168,226)</u>  | <u>\$ 706,416</u>   | <u>\$ 538,190</u> |

e. Treasury shares

- 1) Movements of the treasury shares for the three months ended March 31, 2022 and 2021 were as follows:

**Unit: In Thousands of Shares**

|                                 | <b>For the Three Months Ended March 31, 2022</b> |                                   |                                   |   |
|---------------------------------|--|-----------------------------------|-----------------------------------|---|
| <b>Purpose of Buy-back</b>      | <b>Number of Shares at January 1, 2022</b>       | <b>Increase During the Period</b> | <b>Decrease During the Period</b> | <b>Number of Shares at March 31, 2022</b> |
| Shares transferred to employees | <u>800</u>                                       | <u>-</u>                          | <u>-</u>                          | <u>800</u>                                |

  

|                                 | <b>For the Three Months Ended March 31, 2021</b> |                                   |                                   |   |
|---------------------------------|--|-----------------------------------|-----------------------------------|---|
| <b>Purpose of Buy-back</b>      | <b>Number of Shares at January 1, 2021</b>       | <b>Increase During the Period</b> | <b>Decrease During the Period</b> | <b>Number of Shares at March 31, 2021</b> |
| Shares transferred to employees | <u>-</u>   | <u>800</u>                        | <u>-</u>                          | <u>800</u>                                |

- 2) As of March 31, 2022 and 2021, the amount of PDC's treasury shares was \$54,371 thousand.
- 3) The buy-back shares shall be transferred to employees at one time or in installments within 5 years from the date of purchase. All employees of the Company and employees of the Company's subsidiaries in which the Company directly or indirectly holds more than 50% of the voting shares on the subscription date are eligible to subscribe.

- 4) The Securities and Exchange Act stipulates that the proportion of the number of shares that a company can buy back must not exceed 10% of the company's total issued shares. The total amount of shares purchased must not exceed retained earnings plus the amount of issued share premium and realized capital surplus. For the three months ended March 31, 2022 and 2021, the Company held a maximum of 800 thousand shares as treasury shares, and the total amount of shares purchased was \$54,371 thousand, which complies with the provisions of the Securities and Exchange Act.
- 5) Treasury shares held by PDC shall not be pledged in accordance with the provisions of the Securities and Exchange Act, and shall not enjoy shareholder rights.

## 20. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION

- a. The employee benefits expense, depreciation and amortization incurred in the current period are summarized according to their functions as follows:

|                              | For the Three Months Ended March 31 |                    |            |                 |                    |            |
|------------------------------|-------------------------------------|--------------------|------------|-----------------|--------------------|------------|
|                              | 2022                                |                    |            | 2021            |                    |            |
|                              | Operating Costs                     | Operating Expenses | Total      | Operating Costs | Operating Expenses | Total      |
| Short-term employee benefits |                                     |                    |            |                 |                    |            |
| Salaries and wages           | \$ 118,070                          | \$ 36,446          | \$ 154,516 | \$ 120,098      | \$ 37,033          | \$ 157,131 |
| Labor/health insurance       | 10,623                              | 2,670              | 13,293     | 13,391          | 3,474              | 16,865     |
| Pension                      | 3,970                               | 1,080              | 5,050      | 3,381           | 1,092              | 4,473      |
| Other employee benefits      | 7,030                               | 1,411              | 8,441      | 7,746           | 1,595              | 9,341      |
| Depreciation                 | 105,351                             | 7,750              | 113,101    | 90,248          | 7,564              | 97,812     |
| Amortization                 | 1,131                               | 378                | 1,509      | 803             | 270                | 1,073      |

The number of employees of the Group as of March 31, 2022 and 2021 was 947 and 1,245, respectively.

- b. Compensation of employees and remuneration of directors and supervisors

According to the Company's Articles, PDC accrues compensation of employees and remuneration of directors and supervisors at rates of 2%-10% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors. The estimated compensation of employees and remuneration of directors and supervisors for the three months ended March 31, 2022 and 2021 are as follows:

|                           | For the Three Months Ended March 31 |          |
|---------------------------|-------------------------------------|----------|
|                           | 2022                                | 2021     |
| <u>Accrual rate</u>       |                                     |          |
| Compensation of employees | 2.5%                                | 2.5%     |
| Remuneration of directors | 1%                                  | 1%       |
|                           |                                     |          |
|                           |                                     |          |
|                           |                                     |          |
| <u>Amount</u>             |                                     |          |
| Compensation of employees | \$ 7,229                            | \$ 8,281 |
| Remuneration of directors | \$ 2,893                            | \$ 3,312 |

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The compensation of employees and remuneration of directors and supervisors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors and paid on February 22, 2022 and February 25, 2021, respectively, are as follows. The differences were adjusted to profit and loss for the years ended December 31, 2022 and 2021.

|   | <b>For the Year Ended December 31</b> |               |             |               |
|---|---------------------------------------|---------------|-------------|---------------|
|   | <b>2021</b>                           |               | <b>2020</b> |               |
|   | <b>Cash</b>                           | <b>Shares</b> | <b>Cash</b> | <b>Shares</b> |
| Compensation of employees                 |                                       |               |             |               |
| Amounts approved in the                   |                                       |               |             |               |
| board of directors meeting                | \$ 36,309                             | \$ -          | \$ 24,772   | \$ -          |
| Actual amounts paid                       | 36,303                                | -             | 24,743      | -             |
| Remuneration of directors and supervisors |                                       |               |             |               |
| Amounts approved in the                   |                                       |               |             |               |
| board of directors' meeting               | 14,523                                | -             | 9,909       | -             |
| Actual amounts paid                       | 14,523                                | -             | 9,909       | -             |

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 21. INCOME TAXES

- a. Major components of income tax expense recognized in profit or loss are as follows:

|   | <b>For the Three Months Ended</b> |                  |
|---|-----------------------------------|------------------|
|   | <b>March 31</b>                   |                  |
|   | <b>2022</b>                       | <b>2021</b>      |
| Current tax                                     |                                   |                  |
| In respect of the current year                  | <u>\$ 58,496</u>                  | <u>\$ 65,316</u> |
| Income tax expense recognized in profit or loss | <u>\$ 58,496</u>                  | <u>\$ 65,316</u> |

In July 2019, the president of the ROC announced "The Management, Utilization, and Taxation of Repatriated Offshore Funds Act", which allowed the decrease in tax rate from 20% to 8%-10% for enterprises that applied and repatriated funds from August 15, 2019 to August 14, 2021. The repatriated funds shall be deposited in restricted foreign currency deposit accounts, and the tax will be deducted from the receiving bank once the funds are deposited.

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Group only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

- b. PDC's income tax returns through 2020 have been assessed by the tax authorities.

## 22. EARNINGS PER SHARE

Earnings per share for the three months ended March 31, 2022 and 2021 are as follows:

|  | <b>For the Three Months Ended March 31, 2022</b>          |                             |   |
|--|---|-----------------------------|---|
|  | <b>Amount<br/>(In Thousands)<br/>After Income<br/>Tax</b> | <b>Number of<br/>Shares</b> | <b>Earnings Per<br/>Share<br/>(In Dollars)<br/>After Income<br/>Tax</b> |
| Basic earnings per share   |   |                             |   |
| Amount after income tax attributable to owners<br>of the Company   | \$ 219,112  | 171,200,000                 | \$ <u>1.28</u>  |
| Effect of potentially dilutive common shares -<br>employee share options   | <u>-</u>  | <u>545,440</u>              |   |
| Diluted earnings per share   |   |                             |   |
| Amount after income tax attributable to owners<br>of the Company and effect of potentially<br>dilutive common shares | \$ <u>219,112</u>   | <u>171,745,440</u>          | \$ <u>1.28</u>  |
|  |   |                             |   |
|  | <b>For the Three Months Ended March 31, 2021</b>          |                             |   |
|  | <b>Amount<br/>(In Thousands)<br/>After Income<br/>Tax</b> | <b>Number of<br/>Shares</b> | <b>Earnings Per<br/>Share<br/>(In Dollars)<br/>After Income<br/>Tax</b> |
| Basic earnings per share   |   |                             |   |
| Amount after income tax attributable to owners<br>of the Company   | \$ 270,821  | 172,000,000                 | \$ <u>1.57</u>  |
| Effect of potentially dilutive common shares -<br>employee share options   | <u>-</u>  | <u>367,886</u>              |   |
| Diluted earnings per share   |   |                             |   |
| Amount after income tax attributable to owners<br>of the Company and effect of potentially<br>dilutive common shares | \$ <u>270,821</u>   | <u>172,367,886</u>          | \$ <u>1.57</u>  |

Since the Group offered to settle the compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonus will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 23. OPERATING REVENUE

### Disaggregation of revenue based on customer segments by geographical region

| Region  | For the Three Months Ended<br>March 31 |                     |
|---------|--|---------------------|
|         | 2022                                   | 2021                |
| Asia    | \$ 1,079,283                           | \$ 1,305,540        |
| America | 127,351                                | 88,170              |
| Europe  | 66,717                                 | 66,591              |
| Other   | <u>55</u>                              | <u>305</u>          |
|         | <u>\$ 1,273,406</u>                    | <u>\$ 1,460,606</u> |

The customer's location of operations is the basis for calculating the disaggregation of revenue based on customer segments by geographical region.

## 24. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group have the essential financial resources and operating plans to meet the needs of working capital, capital expenditures, research and development expenses, debt repayment and dividend expenditures in the next 12 months.

## 25. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments

#### 1) Fair value of financial instruments that are not measured at fair value

The management considers the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements as approximate fair values. There were no major differences between the carrying amounts and fair values as of March 31, 2022, December 31, 2021 and March 31, 2021.

#### 2) Fair value of financial instruments that are measured at fair value on a recurring basis

##### March 31, 2022

|                            | Level 1             | Level 2     | Level 3           | Total               |
|----------------------------|---------------------|-------------|-------------------|---------------------|
| Financial assets at FVTPL  |                     |             |                   |                     |
| Domestic listed shares     | \$ 304,188          | \$ -        | \$ -              | \$ 304,188          |
| Mutual funds               | <u>59,449</u>       | <u>-</u>    | <u>-</u>          | <u>59,449</u>       |
|                            | <u>\$ 363,637</u>   | <u>\$ -</u> | <u>\$ -</u>       | <u>\$ 363,637</u>   |
| Financial assets at FVTOCI |                     |             |                   |                     |
| Domestic listed shares     | \$ 1,204,727        | \$ -        | \$ -              | \$ 1,204,727        |
| Domestic unlisted shares   | <u>-</u>            | <u>-</u>    | <u>152,147</u>    | <u>152,147</u>      |
|                            | <u>\$ 1,204,727</u> | <u>\$ -</u> | <u>\$ 152,147</u> | <u>\$ 1,356,874</u> |

December 31, 2021

|                            | Level 1             | Level 2          | Level 3           | Total               |
|----------------------------|---------------------|------------------|-------------------|---------------------|
| Financial assets at FVTPL  |                     |                  |                   |                     |
| Domestic listed shares     | \$ 389,047          | \$ -             | \$ -              | \$ 389,047          |
| Mutual funds               | 56,934              | -                | -                 | 56,934              |
| Government bonds           | <u>-</u>            | <u>86,085</u>    | <u>-</u>          | <u>86,085</u>       |
|                            | <u>\$ 445,981</u>   | <u>\$ 86,085</u> | <u>\$ -</u>       | <u>\$ 532,066</u>   |
| Financial assets at FVTOCI |                     |                  |                   |                     |
| Domestic listed shares     | \$ 1,448,999        | \$ -             | \$ -              | \$ 1,448,999        |
| Domestic unlisted shares   | <u>-</u>            | <u>-</u>         | <u>158,075</u>    | <u>158,075</u>      |
|                            | <u>\$ 1,448,999</u> | <u>\$ -</u>      | <u>\$ 158,075</u> | <u>\$ 1,607,074</u> |

March 31, 2021

|                            | Level 1             | Level 2     | Level 3           | Total               |
|----------------------------|---------------------|-------------|-------------------|---------------------|
| Financial assets at FVTPL  |                     |             |                   |                     |
| Domestic listed shares     | <u>\$ 372,556</u>   | <u>\$ -</u> | <u>\$ -</u>       | <u>\$ 372,556</u>   |
| Financial assets at FVTOCI |                     |             |                   |                     |
| Domestic listed shares     | \$ 1,222,569        | \$ -        | \$ -              | \$ 1,222,569        |
| Domestic unlisted shares   | -                   | -           | 128,231           | 128,231             |
| Foreign unlisted shares    | <u>-</u>            | <u>-</u>    | <u>18,997</u>     | <u>18,997</u>       |
|                            | <u>\$ 1,222,569</u> | <u>\$ -</u> | <u>\$ 147,318</u> | <u>\$ 1,369,797</u> |

There were no transfers between Levels 1 and 2 for the three months ended March 31, 2022 and 2021.

## 3) Valuation techniques and inputs applied for Level 2 fair value measurement

| <u>Financial Instrument</u> | <u>Valuation Technique and Inputs</u>  |
|-----------------------------|--|
| Government bonds            | Determined by quoted market prices provided by third party pricing services. |

## 4) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of unlisted equity securities were determined using the market approach or asset-based approach. The significant unobservable inputs are the liquidity discount of multiplier of price-book ratio and value of net assets. An increase in the price-book ratio would result in an increase in the fair value. An increase in the liquidity discount would result in a decrease in the fair value.

b. Categories of financial instruments

|   | March 31, 2022 | December 31,<br>2021 | March 31, 2021 |
|---|----------------|----------------------|----------------|
| <u>Financial assets</u>                     |                |                      |                |
| FVTPL                                       |                |                      |                |
| Mandatorily classified as at FVTPL          | \$ 363,637     | \$ 532,066           | \$ 372,556     |
| Financial assets at amortized cost (Note 1) | 3,309,059      | 2,798,680            | 2,828,706      |
| Financial assets at FVTOCI                  |                |                      |                |
| Equity instruments                          | 1,356,874      | 1,607,074            | 1,369,797      |
| <u>Financial liabilities</u>                |                |                      |                |
| Amortized cost (Note 2)                     | 1,987,743      | 2,139,279            | 2,201,491      |

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables and refundable deposits.

Note 2: The balances include financial liabilities at amortized cost, which comprise short-term borrowings, trade payables, other payables, long-term borrowings and guarantee deposits received.

c. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, borrowings, trade receivables and trade payables. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The Group utilizes derivatives based on the procedures for the handling of derivative financial instrument transactions, which had been approved by the board of directors, to hedge against foreign currency risk. The internal auditor reviews compliance with policies and risk limits on an ongoing basis.

1) Market risk

The Group is exposed primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

The Group's exposure to market risk in financial instruments and its management and measurement of such exposure has not changed since the last period.

a) Foreign currency risk

The Group manages the risk of exchange rate fluctuations arising from foreign currency transactions by using forward exchange contracts to the extent permitted by the regulations governing the procedures for the handling of derivative financial instrument transactions.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the period are set out in Note 29.

|                | <b>USD Impact</b>                 |             | <b>RMB Impact</b>                 |             |
|----------------|-----------------------------------|-------------|-----------------------------------|-------------|
|                | <b>For the Three Months Ended</b> |             | <b>For the Three Months Ended</b> |             |
|                | <b>March 31</b>                   |             | <b>March 31</b>                   |             |
|                | <b>2022</b>                       | <b>2021</b> | <b>2022</b>                       | <b>2021</b> |
| Profit or loss | \$ 25,130                         | \$ 20,114   | \$ 27,666                         | \$ 22,871   |
| Equity         | 1,938                             | 1,738       | 19,549                            | 14,664      |

The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusted their translation at the end of the period for a 3% change in foreign currency rates. A negative number indicates an increase in post-tax profit and equity associated with the New Taiwan dollar strengthening 3% against the relevant currency. For a 3% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on post-tax profit and equity.

b) Interest rate risk

The Group was exposed to interest rate risk arising from both fixed and floating interest rate deposits, and repurchase agreements collateralized by bonds and borrowings.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the period were as follows:

|                              | <b>March 31, 2022</b> | <b>December 31, 2021</b> | <b>March 31, 2021</b> |
|------------------------------|-----------------------|--------------------------|-----------------------|
| Cash flow interest rate risk |                       |                          |                       |
| Financial assets             | \$ 1,454,770          | \$ 1,066,354             | \$ 987,779            |
| Financial liabilities        | 847,034               | 825,989                  | 763,909               |

The Group's sensitivity analysis of interest rate risk mainly focuses on changes in the fair value of the financial assets and liabilities at fixed interest rate at the end of the reporting period. If interest rates were lower by 1% and all other variables were held constant, the Group's variable-rate financial assets for the three months ended March 31, 2022 and 2021 would have resulted in cash outflows by \$6,077 thousand and \$2,239 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Group.

The management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate allowance is made for irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

3) Liquidity risk

The Group's working capital is sufficient to meet its obligations; therefore, there is no liquidity risk arising from the inability to raise funds to meet its contractual obligations.



The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods:

March 31, 2022

|   | <b>Less than<br/>1 Year</b> | <b>2-3 Years</b>  | <b>3+ Years</b>   | <b>Total</b>        |
|---|-----------------------------|-------------------|-------------------|---------------------|
| Non-interest bearing<br>Variable interest rate<br>liabilities | \$ 1,140,709                | \$ -              | \$ -              | \$ 1,140,709        |
| Lease liabilities   | 94,792                      | 722,267           | 29,975            | 847,034             |
|   | <u>30,344</u>               | <u>52,429</u>     | <u>101,325</u>    | <u>184,098</u>      |
|   | <u>\$ 1,265,845</u>         | <u>\$ 774,696</u> | <u>\$ 131,300</u> | <u>\$ 2,171,841</u> |

December 31, 2021

|   | <b>Less than<br/>1 Year</b> | <b>2-3 Years</b>  | <b>3+ Years</b>   | <b>Total</b>        |
|---|-----------------------------|-------------------|-------------------|---------------------|
| Non-interest bearing<br>Variable interest rate<br>liabilities | \$ 1,313,290                | \$ -              | \$ -              | \$ 1,313,290        |
| Lease liabilities   | 8,333                       | 749,832           | 67,824            | 825,989             |
|   | <u>25,573</u>               | <u>46,713</u>     | <u>107,418</u>    | <u>179,704</u>      |
|   | <u>\$ 1,347,196</u>         | <u>\$ 796,545</u> | <u>\$ 175,242</u> | <u>\$ 2,318,983</u> |

March 31, 2021

|   | <b>Less than<br/>1 Year</b> | <b>2-3 Years</b>  | <b>3+ Years</b>   | <b>Total</b>        |
|---|-----------------------------|-------------------|-------------------|---------------------|
| Non-interest bearing<br>Variable interest rate<br>liabilities | \$ 1,437,582                | \$ -              | \$ -              | \$ 1,437,582        |
| Lease liabilities   | -                           | 429,541           | 334,368           | 763,909             |
|   | <u>27,914</u>               | <u>40,793</u>     | <u>113,239</u>    | <u>181,946</u>      |
|   | <u>\$ 1,465,496</u>         | <u>\$ 470,334</u> | <u>\$ 447,607</u> | <u>\$ 2,383,437</u> |

## 26. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation, refer to Table 4 for the details. Details of transactions between the Group and other related parties are disclosed as follows:

Related party name and category

| <u>Related Party Name</u>                        | <u>Related Party Category</u> |
|--|-------------------------------|
| Walsin Technology Corporation                    | Parent company                |
| Dongguan Walsin Technology Electronics Co., Ltd. | Sister company                |
| Pan Overseas (Guangzhou) Electronic Co., Ltd.    | Sister company                |
| Walsin Technology Corporation (HK) Limited       | Sister company                |
| Kamaya Electric (M) Sdn. Bhd.                    | Sister company                |

(Continued)

| <u>Related Party Name</u>               | <u>Related Party Category</u>                 |
|---|---|
| INPAQ Technology Co., Ltd.              | Sister company (associate before July 2020)   |
| INPAQ Technology (Suzhou) Co., Ltd.     | Sister company (associate before July 2020)   |
| Taiwan INPAQ Electronics Co., Ltd.      | Sister company (associate before July 2020)   |
| INPAQ Technology (China) Co., Ltd.      | Sister company (associate before July 2020)   |
| Hunan Frontier Electronics Co., Ltd.    | Sister company (subsidiary before April 2021) |
| Walsin Color Corporation                | Associate                                     |
| Joyin Co., Ltd.                         | Associate                                     |
| Walsin Lihwa Corporation                | Other related party                           |
| Falcon Automation Equipment Corporation | Other related party                           |
| Info-Tek Corp.                          | Other related party                           |
| VVG Inc.                                | Other related party                           |
| Global Brands Manufacture Ltd.          | Other related party                           |
| PSA Charitable Foundation               | Other related party                           |
| PSA VVG Culture and Arts Foundation     | Other related party                           |

(Concluded)

### Transactions

Transactions between the Group and other related parties for the three months ended March 31, 2022 and 2021 are disclosed as follows.

| <b>Related Party Category</b> | <b>Sales of Goods</b>             |                   |
|-------------------------------|-----------------------------------|-------------------|
|                               | <b>For the Three Months Ended</b> |                   |
|                               | <b>March 31</b>                   |                   |
|                               | <b>2022</b>                       | <b>2021</b>       |
| Parent company                | \$ 301,065                        | \$ 173,074        |
| Sister companies              | 56,509                            | 135,710           |
| Other related parties         | <u>74</u>                         | <u>232</u>        |
|                               | <u>\$ 357,648</u>                 | <u>\$ 309,016</u> |

  

| <b>Related Party Category</b>                    | <b>Purchases of Goods</b>         |                   |
|--|-----------------------------------|-------------------|
|  | <b>For the Three Months Ended</b> |                   |
|  | <b>March 31</b>                   |                   |
|  | <b>2022</b>                       | <b>2021</b>       |
| Parent company                                   | \$ 151,867                        | \$ 180,873        |
| Sister companies                                 |                                   |                   |
| Dongguan Walsin Technology Electronics Co., Ltd. | 101,466                           | 193,763           |
| Others   | <u>8,671</u>                      | <u>3,520</u>      |
|  | <u>110,137</u>                    | <u>197,283</u>    |
|  | <u>\$ 262,004</u>                 | <u>\$ 378,156</u> |

The selling prices between the Group and related parties were not significantly different from that of general transactions. The collection terms of general transactions are within 0 to 120 days. The collection terms of related parties were not significantly different from that of general customers. Among them, trade receivables (payables) of Walsin Technology Corporation are directly offset by its respective counterparty's trade receivables (payables), and the remaining receivables are collected (paid) under the usual collection (payment) terms.

The prices of the purchase transactions between the Group and related parties were not significantly different from that of general transactions, and the payment terms of general transactions are within 0 to 120 days. The payment terms of related parties were not significantly different from that of general suppliers.

| <b>Related Party Category/Name</b>      | <b>Acquisition of Assets</b>               |                  |
|---|--|------------------|
|   | <b>For the Three Months Ended March 31</b> |                  |
|   | <b>2022</b>                                | <b>2021</b>      |
| Falcon Automation Equipment Corporation | <u>\$ 27,650</u>                           | <u>\$ 36,959</u> |

**Lease Arrangement as Lessee**

| <b>Item</b>       | <b>Related Party Category/Name</b> | <b>March 31, 2022</b> | <b>December 31, 2021</b> | <b>March 31, 2021</b> |
|-------------------|------------------------------------|-----------------------|--------------------------|-----------------------|
| Lease liabilities | Parent company                     | \$ 1,025              | \$ 2,559                 | \$ 6,604              |
|                   | Sister companies                   | 5,685                 | 5,796                    | -                     |
|                   | Other related parties              | <u>11,955</u>         | <u>12,333</u>            | <u>-</u>              |
|                   |                                    | <u>\$ 18,665</u>      | <u>\$ 20,688</u>         | <u>\$ 6,604</u>       |

| <b>Item</b>      | <b>Related Party Category/Name</b> | <b>For the Three Months Ended March 31</b> |              |
|------------------|------------------------------------|--|--------------|
|                  |                                    | <b>2022</b>                                | <b>2021</b>  |
| Interest expense | Parent company                     | \$ 4                                       | \$ 18        |
|                  | Sister companies                   | 14   | -            |
|                  | Other related parties              | <u>30</u>                                  | <u>-</u>     |
|                  |                                    | <u>\$ 48</u>                               | <u>\$ 18</u> |
| Rental expense   | Parent company                     | \$ 22                                      | \$ 13        |
|                  | Sister companies                   | <u>61</u>                                  | <u>52</u>    |
|                  |                                    | <u>\$ 83</u>                               | <u>\$ 65</u> |

Lease agreement as lessor

Lease income was summarized as follows:

| <b>Related Party Category/Name</b> | <b>For the Three Months Ended March 31</b> |                 |
|------------------------------------|--|-----------------|
|                                    | <b>2022</b>                                | <b>2021</b>     |
| Parent company                     | \$ 744                                     | \$ 718          |
| Sister companies                   | 40   | 42              |
| Associates                         | 12   | 12              |
| Other related parties              | <u>621</u>                                 | <u>620</u>      |
|                                    | <u>\$ 1,417</u>                            | <u>\$ 1,392</u> |

For the three months ended March 31, 2022 and 2021, the remaining balances were as follows:

|  | Trade Receivables |                   |                   | Trade Payables    |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | March 31, 2022    | December 31, 2021 | March 31, 2021    | March 31, 2022    | December 31, 2021 | March 31, 2021    |
| Parent company                                   | \$ 198,837        | \$ 194,407        | \$ -              | \$ -              | \$ -              | \$ 30,736         |
| Sister companies                                 |                   |                   |                   |                   |                   |                   |
| Dongguan Walsin Technology Electronics Co., Ltd. | 22,415            | 63,415            | 90,834            | 150,810           | 143,765           | 295,542           |
| INPAQ Technology (Suzhou) Co., Ltd.              | 61,387            | 66,913            | -                 | -                 | -                 | -                 |
| Others   | 4,184             | 11,241            | 72,344            | 14,287            | 19,826            | 9,521             |
|  | 87,986            | 141,569           | 163,178           | 165,097           | 163,591           | 305,063           |
| Associates                                       | -                 | -                 | 244               | -                 | -                 | -                 |
| Other related parties                            | 78                | -                 | -                 | -                 | -                 | -                 |
|  | <u>\$ 286,901</u> | <u>\$ 335,976</u> | <u>\$ 163,422</u> | <u>\$ 165,097</u> | <u>\$ 163,591</u> | <u>\$ 335,799</u> |
|  |                   |                   |                   |                   |                   |                   |
|  | Other Receivables |                   |                   | Other Payables    |                   |                   |
|  | March 31, 2022    | December 31, 2021 | March 31, 2021    | March 31, 2022    | December 31, 2021 | March 31, 2021    |
| Parent company                                   | \$ 10,809         | \$ 9,871          | \$ -              | \$ -              | \$ -              | \$ 10,802         |
| Sister companies                                 | 10,156            | 1,517             | 77                | 2,009             | 677               | 293               |
| Associates                                       | 12                | 12                | 12                | -                 | -                 | -                 |
| Other related parties                            | 594               | 619               | 579               | 22,055            | 21,582            | 13,230            |
|  | <u>\$ 21,571</u>  | <u>\$ 12,019</u>  | <u>\$ 668</u>     | <u>\$ 24,064</u>  | <u>\$ 22,259</u>  | <u>\$ 24,325</u>  |

Other receivables are the uncollected amounts from the Group's lease income, selling of raw materials and equipment, and the collections and payments on behalf of others.

Other payables are the payments that have not been made for the acquisition of equipment and the collections and payments on behalf of others.

The remaining trade payables - related parties were not guaranteed and would be paid off by cash; trade receivables - related parties were also not guaranteed. There was no bad debt expense for trade receivables - related parties as of March 31, 2022, December 31, 2021 and March 31, 2021.

#### Equity transactions

Refer to Note 13.

#### Remuneration of key management personnel

Remuneration of the board of directors and other key management personnel for the three months ended March 31, 2022 and 2021 were as follows:

|                              | For the Three Months Ended |                  |
|------------------------------|----------------------------|------------------|
|                              | 2022                       | 2021             |
| Short-term employee benefits | \$ 36,091                  | \$ 18,285        |
| Post-employment benefits     | <u>54</u>                  | <u>27</u>        |
|                              | <u>\$ 36,145</u>           | <u>\$ 18,312</u> |

## 27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group as of March 31, 2022, December 31, 2021 and March 31, 2021 were as follows:

### a. Significant unrecognized commitments

Unrecognized commitments were as follows:

|  | March 31, 2022    | December 31,<br>2021 | March 31, 2021    |
|--|-------------------|----------------------|-------------------|
| Acquisition of property, plant and equipment | <u>\$ 410,216</u> | <u>\$ 442,617</u>    | <u>\$ 397,989</u> |

### b. Contingencies

As of March 31, 2022, outstanding letters of credit of the Group were summarized as follows:

|          | Unit: Dollars   |               |   |
|----------|-----------------|---------------|---|
| Currency | Carrying Value  | Deposits Paid |   |
| JPY      | JPY 387,628,000 | JPY           | - |

As of December 31, 2021, outstanding letters of credit of the Group were summarized as follows:

|          | Unit: Dollars   |               |   |
|----------|-----------------|---------------|---|
| Currency | Carrying Value  | Deposits Paid |   |
| USD      | US\$ 36,600     | US\$          | - |
| JPY      | JPY 387,628,000 | JPY           | - |

As of March 31, 2021, outstanding letters of credit of the Group were summarized as follows:

|          | Unit: Dollars  |               |   |
|----------|----------------|---------------|---|
| Currency | Carrying Value | Deposits Paid |   |
| USD      | US\$ 73,200    | US\$          | - |

## 28. OTHER ITEMS

Despite the impact of the COVID-19 pandemic which has evolved globally and currently in Taiwan, some of the operations of the subsidiaries located in China were temporarily suspended because of the lockdown and shut-down control measures imposed by the local government. Currently, all of the subsidiaries have resumed operations.

## 29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the entities in the Group and the exchange rates between the foreign currencies and their respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

|   | March 31, 2022                  |               |                                | December 31, 2021               |               |                                | March 31, 2021                  |               |                                |
|---|---------------------------------|---------------|--------------------------------|---------------------------------|---------------|--------------------------------|---------------------------------|---------------|--------------------------------|
|   | Foreign Currency (In Thousands) | Exchange Rate | Carrying Amount (In Thousands) | Foreign Currency (In Thousands) | Exchange Rate | Carrying Amount (In Thousands) | Foreign Currency (In Thousands) | Exchange Rate | Carrying Amount (In Thousands) |
| <u>Financial assets</u>                           |                                 |               |                                |                                 |               |                                |                                 |               |                                |
| Monetary items                                    |                                 |               |                                |                                 |               |                                |                                 |               |                                |
| USD   | \$ 34,630                       | 28.625        | \$ 991,284                     | \$ 33,764                       | 27.69         | \$ 934,925                     | \$ 39,053                       | 28.535        | \$ 1,114,377                   |
| RMB   | 231,454                         | 4.5134        | 1,044,644                      | 191,361                         | 4.3476        | 831,961                        | 196,259                         | 4.3516        | 854,041                        |
| Non-monetary items                                |                                 |               |                                |                                 |               |                                |                                 |               |                                |
| Investments accounted for using the equity method |                                 |               |                                |                                 |               |                                |                                 |               |                                |
| USD   | 2,257                           | 28.625        | 64,611                         | 2,251                           | 27.69         | 62,330                         | 2,031                           | 28.535        | 57,946                         |
| RMB   | 144,380                         | 4.5134        | 651,646                        | 143,697                         | 4.3476        | 624,736                        | 112,328                         | 4.3516        | 488,805                        |
| <u>Financial liabilities</u>                      |                                 |               |                                |                                 |               |                                |                                 |               |                                |
| Monetary items                                    |                                 |               |                                |                                 |               |                                |                                 |               |                                |
| USD   | 5,367                           | 28.625        | 153,630                        | 5,738                           | 27.69         | 158,885                        | 15,557                          | 28.535        | 443,919                        |
| RMB   | 27,132                          | 4.5134        | 122,458                        | 24,929                          | 4.3476        | 108,381                        | 21,069                          | 4.3516        | 91,684                         |

For the three months ended March 31, 2022 and 2021, net realized and unrealized foreign exchange gains were \$31,203 thousand and \$11,043 thousand, respectively. It is impractical to disclose net foreign exchange (losses) gains by each significant foreign currency due to the variety of the foreign currency transactions.

## 29. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 1)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 2)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
- 9) Trading in derivative instruments (None)
- 10) Intercompany relationships and significant intercompany transactions (Table 4)

b. Information about reinvestment

Information on investees (Table 5)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 6)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 6):

- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.
- b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.
- c) The amount of property transactions and the amount of the resultant gains or losses.
- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes.
- e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.
- f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 7)

### 30. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the geographical segments as its operating segments. The Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

Taiwan segment - Prosperity Dielectrics Co., Ltd.  
- PDC Prime Holdings Limited  
- Frontec International Corporation  
- PDC Success Investments Ltd.

China segment - PDC Electronics (Suzhou) Co., Ltd.  
- Dongguan Frontier Electronics Co., Ltd.  
- Hunan Frontier Electronics Co., Ltd.  
- Frontier Components Co., Limited  
- Prosperity International Development (HK) Co., Limited  
- Prosperity Frontier Electronics (Shenzhen) Co., Ltd.  
- Prosperity Frontier Electronics (Guangzhou) Co., Ltd.

a. Segment revenue and results

The following tables detail the Group's segment revenue and results by reportable segments for the three months ended March 31, 2022 and 2021.

|  | <b>For the Three Months Ended March 31, 2022</b> |                          |   |                   |
|--|--|--------------------------|---|-------------------|
|  | <b>Taiwan<br/>Segment</b>                        | <b>China<br/>Segment</b> | <b>Adjustments<br/>and<br/>Eliminations</b> | <b>Total</b>      |
| Net sales                                      | \$ 1,142,047                                     | \$ 397,494               | \$ (266,135)                                | \$ 1,273,406      |
| Cost of sales                                  | (804,308)  | (389,445)                | 265,015                                     | (928,738)         |
| Unrealized gain on<br>inter-affiliate accounts | <u>(9,167)</u>                                   | <u>-</u>                 | <u>9,167</u>                                | <u>-</u>          |
| Gross profit                                   | 328,572  | 8,049                    | 8,047                                       | 344,668           |
| Operating expenses                             | <u>(75,976)</u>                                  | <u>(7,007)</u>           | <u>(8,000)</u>                              | <u>(90,983)</u>   |
| Profit from operations                         | 252,596  | 1,042                    | 47  | 253,685           |
| Non-operating income and<br>expenses           | <u>21,502</u>                                    | <u>10,513</u>            | <u>(8,092)</u>                              | <u>23,923</u>     |
| Profit before income tax                       | <u>\$ 274,098</u>                                | <u>\$ 11,555</u>         | <u>\$ (8,045)</u>                           | <u>\$ 277,608</u> |

|  | <b>For the Three Months Ended March 31, 2021</b> |                          |   |                   |
|--|--|--------------------------|---|-------------------|
|  | <b>Taiwan<br/>Segment</b>                        | <b>China<br/>Segment</b> | <b>Adjustments<br/>and<br/>Eliminations</b> | <b>Total</b>      |
| Net sales                                      | \$ 1,168,441                                     | \$ 1,014,315             | \$ (722,150)                                | \$ 1,460,606      |
| Cost of sales                                  | (894,403)  | (949,879)                | 731,088                                     | (1,113,194)       |
| Unrealized gain on<br>inter-affiliate accounts | <u>929</u>                                       | <u>-</u>                 | <u>(929)</u>                                | <u>-</u>          |
| Gross profit                                   | 274,967  | 64,436                   | 8,009                                       | 347,412           |
| Operating expenses                             | <u>(82,516)</u>                                  | <u>(11,618)</u>          | <u>(8,000)</u>                              | <u>(102,134)</u>  |
| Profit from operations                         | 192,451  | 52,818                   | 9   | 245,278           |
| Non-operating income and<br>expenses           | <u>128,812</u>                                   | <u>19,561</u>            | <u>(56,787)</u>                             | <u>91,586</u>     |
| Profit before income tax                       | <u>\$ 321,263</u>                                | <u>\$ 72,379</u>         | <u>\$ (56,778)</u>                          | <u>\$ 336,864</u> |

b. Segment assets and liabilities

|   | <b>March 31, 2022</b>     |                          |   |                  |
|---|---------------------------|--------------------------|---|------------------|
|   | <b>Taiwan<br/>Segment</b> | <b>China<br/>Segment</b> | <b>Adjustments<br/>and<br/>Eliminations</b> | <b>Total</b>     |
| Cash and cash equivalents                   | \$ 1,113,759              | \$ 852,761               | \$ -  | \$ 1,966,520     |
| Notes and trade receivables                 | 1,071,942                 | 530,623                  | (465,293)                                   | 1,137,272        |
| Inventories                                 | 745,523                   | 66,390                   | (29,484)                                    | 782,429          |
| Other current assets                        | <u>450,420</u>            | <u>119,971</u>           | <u>(9,511)</u>                              | <u>560,880</u>   |
| Total current assets                        | <u>3,381,644</u>          | <u>1,569,745</u>         | <u>(504,288)</u>                            | <u>4,447,101</u> |
| Financial assets at FVTOCI -<br>non-current | 1,356,874                 | -                        | -   | 1,356,874        |

(Continued)



|  | <b>March 31, 2022</b>     |                          |   |                                    |
|--|---------------------------|--------------------------|---|------------------------------------|
|  | <b>Taiwan<br/>Segment</b> | <b>China<br/>Segment</b> | <b>Adjustments<br/>and<br/>Eliminations</b> | <b>Total</b>                       |
| Investments accounted for<br>using the equity method | \$ 1,952,697              | \$ 716,257               | \$ (1,807,412)                              | \$ 861,542                         |
| Property, plant and equipment                        | 2,046,944                 | 122,594                  | -   | 2,169,538                          |
| Other non-current assets                             | <u>203,508</u>            | <u>77,260</u>            | <u>-</u>                                    | <u>280,768</u>                     |
| Total assets   | <u>\$ 8,941,667</u>       | <u>\$ 2,485,856</u>      | <u>\$ (2,311,700)</u>                       | <u>\$ 9,115,823</u><br>(Concluded) |

|  | <b>December 31, 2021</b>  |                          |   |                     |
|--|---------------------------|--------------------------|---|---------------------|
|  | <b>Taiwan<br/>Segment</b> | <b>China<br/>Segment</b> | <b>Adjustments<br/>and<br/>Eliminations</b> | <b>Total</b>        |
| Cash and cash equivalents                            | \$ 807,520                | \$ 504,678               | \$ -  | \$ 1,312,198        |
| Notes and trade receivables                          | 1,028,180                 | 553,477                  | (451,781)                                   | 1,129,876           |
| Inventories  | 765,326                   | 75,560                   | (20,316)                                    | 820,570             |
| Other current assets                                 | <u>515,508</u>            | <u>380,628</u>           | <u>(972)</u>                                | <u>895,164</u>      |
| Total current assets                                 | <u>3,116,534</u>          | <u>1,514,343</u>         | <u>(473,069)</u>                            | <u>4,157,808</u>    |
| Financial assets at FVTOCI -<br>non-current          | 1,607,074                 | -                        | -   | 1,607,074           |
| Investments accounted for<br>using the equity method | 1,891,268                 | 687,066                  | (1,744,111)                                 | 834,223             |
| Property, plant and equipment                        | 2,093,893                 | 124,781                  | -   | 2,218,674           |
| Other non-current assets                             | <u>204,518</u>            | <u>63,819</u>            | <u>-</u>                                    | <u>268,337</u>      |
| Total assets   | <u>\$ 8,913,287</u>       | <u>\$ 2,390,009</u>      | <u>\$ (2,217,180)</u>                       | <u>\$ 9,086,116</u> |

|  | <b>March 31, 2021</b>     |                          |   |                     |
|--|---------------------------|--------------------------|---|---------------------|
|  | <b>Taiwan<br/>Segment</b> | <b>China<br/>Segment</b> | <b>Adjustments<br/>and<br/>Eliminations</b> | <b>Total</b>        |
| Cash and cash equivalents                            | \$ 640,056                | \$ 601,711               | \$ -  | \$ 1,241,767        |
| Notes and trade receivables                          | 804,096                   | 969,907                  | (653,451)                                   | 1,120,552           |
| Inventories  | 633,536                   | 101,829                  | (11,572)                                    | 723,793             |
| Other current assets                                 | <u>553,464</u>            | <u>173,221</u>           | <u>(1,986)</u>                              | <u>724,699</u>      |
| Total current assets                                 | <u>2,631,152</u>          | <u>1,846,668</u>         | <u>(667,009)</u>                            | <u>3,810,811</u>    |
| Financial assets at FVTOCI -<br>non-current          | 1,369,797                 | -                        | -   | 1,369,797           |
| Investments accounted for<br>using the equity method | 1,963,076                 | 546,751                  | (1,843,072)                                 | 666,755             |
| Property, plant and equipment                        | 1,761,284                 | 295,447                  | -   | 2,056,731           |
| Other non-current assets                             | <u>207,997</u>            | <u>195,125</u>           | <u>-</u>                                    | <u>403,122</u>      |
| Total assets   | <u>\$ 7,933,306</u>       | <u>\$ 2,883,991</u>      | <u>\$ (2,510,081)</u>                       | <u>\$ 8,307,216</u> |

|                                 | <b>March 31, 2022</b>     |                          |   |                     |
|---------------------------------|---------------------------|--------------------------|---|---------------------|
|                                 | <b>Taiwan<br/>Segment</b> | <b>China<br/>Segment</b> | <b>Adjustments<br/>and<br/>Eliminations</b> | <b>Total</b>        |
| Total current liabilities       | \$ 1,274,551              | \$ 637,336               | \$ (474,804)                                | \$ 1,437,083        |
| Guarantee deposits received     | 16,946                    | 8,394                    | -   | 25,340              |
| Deferred income tax liabilities | 188,342                   | -                        | -   | 188,342             |
| Other non-current liabilities   | <u>939,351</u>            | <u>9,609</u>             | <u>-</u>                                    | <u>948,960</u>      |
| Total liabilities               | <u>\$ 2,419,190</u>       | <u>\$ 655,339</u>        | <u>\$ (474,804)</u>                         | <u>\$ 2,599,725</u> |

|                                 | <b>December 31, 2021</b>  |                          |   |                     |
|---------------------------------|---------------------------|--------------------------|---|---------------------|
|                                 | <b>Taiwan<br/>Segment</b> | <b>China<br/>Segment</b> | <b>Adjustments<br/>and<br/>Eliminations</b> | <b>Total</b>        |
| Total current liabilities       | \$ 1,309,189              | \$ 618,953               | \$ (452,753)                                | \$ 1,475,389        |
| Guarantee deposits received     | 16,946                    | 8,288                    | -   | 25,234              |
| Deferred income tax liabilities | 178,518                   | -                        | -   | 178,518             |
| Other non-current liabilities   | <u>1,027,678</u>          | <u>4,511</u>             | <u>-</u>                                    | <u>1,032,189</u>    |
| Total liabilities               | <u>\$ 2,532,331</u>       | <u>\$ 631,752</u>        | <u>\$ (452,753)</u>                         | <u>\$ 2,711,330</u> |

|                                 | <b>March 31, 2021</b>     |                          |   |                     |
|---------------------------------|---------------------------|--------------------------|---|---------------------|
|                                 | <b>Taiwan<br/>Segment</b> | <b>China<br/>Segment</b> | <b>Adjustments<br/>and<br/>Eliminations</b> | <b>Total</b>        |
| Total current liabilities       | \$ 1,241,429              | \$ 989,969               | \$ (655,437)                                | \$ 1,575,961        |
| Guarantee deposits received     | 16,946                    | 4,070                    | -   | 21,016              |
| Deferred income tax liabilities | 117,673                   | -                        | -   | 117,673             |
| Other non-current liabilities   | <u>976,614</u>            | <u>-</u>                 | <u>-</u>                                    | <u>976,614</u>      |
| Total liabilities               | <u>\$ 2,352,662</u>       | <u>\$ 994,039</u>        | <u>\$ (655,437)</u>                         | <u>\$ 2,691,264</u> |

All intercompany transactions had been eliminated upon consolidation.

## PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

MARCH 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Holding Company Name             | Type and Name of Marketable Securities                  | Relationship with the Holding Company  | Financial Statement Account   | March 31, 2022   |                 |                             |            | Note |
|----------------------------------|---|--|---|------------------|-----------------|-----------------------------|------------|------|
|                                  |   |  |   | Number of Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value |      |
| Prosperity Dielectrics Co., Ltd. | <u>Listed shares</u>                                    |  |   |                  |                 |                             |            |      |
|                                  | Walton Advanced Engineering Inc.                        | The chairman of the securities issuer is the same as the Company's                   | Financial assets at fair value through other comprehensive income - non-current | 31,915,536       | \$ 532,990      | 6.12                        | \$ 532,990 |      |
|                                  | Walsin Lihwa Corporation                                | The chairman of the securities issuer is the second degree of kinship of the Company | "   | 7,000,000        | 205,800         | 0.20                        | 205,800    |      |
|                                  | HannStar Board Corporation                              | The chairman of the securities issuer is the same as the Company's                   | "   | 5,668,332        | 239,770         | 1.07                        | 239,770    |      |
|                                  | Singatron Enterprise Co., Ltd.                          | None   | "   | 6,050,031        | 154,881         | 4.93                        | 154,881    |      |
|                                  | APAQ Technology Co., Ltd.                               | "  | "   | 739,000          | 41,236          | 0.83                        | 41,236     |      |
|                                  | Fubon Financial Holding Co., Ltd.<br>Preferred Shares C | "  | "   | 500,000          | 30,050          | -                           | 30,050     |      |
|                                  | APAQ Technology Co., Ltd.                               | "  | Financial assets at fair value through profit or loss - current                 | 4,541,000        | 253,388         | 5.10                        | 253,388    |      |
|                                  | Chunghwa Telecom Co., Ltd.                              | "  | "   | 400,000          | 50,800          | 0.01                        | 50,800     |      |
|                                  |   | <u>Shares</u>  |   |                  |                 |                             |            |      |
|                                  | Chin-Xin Investment Co., Ltd.                           | The chairman of the securities issuer is the second degree of kinship of the Company | Financial assets at fair value through other comprehensive income - non-current | 3,500,000        | 152,147         | 0.72                        | 152,147    |      |
| PDC Electronics (Suzhou)         | <u>Mutual funds</u>                                     |  |   |                  |                 |                             |            |      |
|                                  | GF Money Market Fund B                                  | None   | Financial assets at fair value through profit or loss - current                 | 5,000,000        | 22,911          | -                           | 22,911     |      |
|                                  | CCB Principal Profit Raise Money Market ETF Fund A      | "  | "   | 8,000,000        | 36,538          | -                           | 36,538     |      |

## PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 FOR THE THREE MONTHS ENDED MARCH 31, 2022  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Buyer                                   | Related Party                           | Relationship                            | Transaction Details |              |               |  | Abnormal Transaction |               | Notes/Accounts Receivable (Payable) |               | Note |
|---|---|---|---------------------|--------------|---------------|--|----------------------|---------------|-------------------------------------|---------------|------|
|   |   |   | Purchases/<br>Sales | Amount       | % of<br>Total | Payment Terms                                | Unit Price           | Payment Terms | Ending Balance                      | % of<br>Total |      |
| Prosperity Dielectrics Co., Ltd.        | Frontier Components Co., Limited        | Indirectly owned second-tier subsidiary | Sales               | \$ (134,686) | (12)          | No significant difference with third parties | -                    | -             | Trade receivables<br>\$ 215,154     | 20            |      |
|   | Walsin Technology Corporation           | Owns 43.13% of the Company's shares     | Sales               | (301,065)    | (26)          | "  | -                    | -             | Trade receivables<br>198,837        | 19            |      |
|   | Walsin Technology Corporation           | Owns 43.13% of the Company's shares     | Purchases           | 151,867      | 31            | "  | -                    | -             | Trade payables<br>-                 | -             |      |
| Frontier Components Co., Limited        | Prosperity Dielectrics Co., Ltd.        | Parent company                          | Purchases           | 134,686      | 89            | "  | -                    | -             | Trade payables<br>(215,154)         | (77)          |      |
|   | Dongguan Frontier Electronics Co., Ltd. | 100% owned subsidiary                   | Sales               | (103,018)    | (66)          | "  | -                    | -             | Trade receivables<br>183,656        | 68            |      |
| Dongguan Frontier Electronics Co., Ltd. | Frontier Components Co., Limited        | 100% owned subsidiary                   | Purchases           | 103,018      | 57            | "  | -                    | -             | Trade payables<br>(183,656)         | (66)          |      |

**PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE THREE MONTHS ENDED MARCH 31, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Company Name                     | Related Party   | Relationship  | Ending Balance    | Turnover Rate | Overdue |               | Amount Received in Subsequent Period | Allowance for Impairment Loss |      |
|----------------------------------|---|---|-------------------|---------------|---------|---------------|--------------------------------------|-------------------------------|------|
|                                  |   |   |                   |               | Amount  | Actions Taken |                                      |                               |      |
| Prosperity Dielectrics Co., Ltd. | Frontier Components Co., Limited<br>Walsin Technology Corporation | Indirectly owned second-tier subsidiary<br>Parent company | Trade receivables | \$ 215,154    | 2.45    | \$ -          | -                                    | \$ 76,892                     | \$ - |
|                                  |   |   | Trade receivables | 198,837       | 6.12    | -             | -                                    | 46,326                        | -    |
| Frontier Components Co., Limited | Dongguan Frontier Electronics Co., Ltd.                           | 100% owned subsidiary                                     | Trade receivables | 183,656       | 2.39    | -             | -                                    | 62,484                        | -    |

**PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2022  
(Amounts in Thousands of New Taiwan Dollars)**

| No. | Investee Company                 | Counterparty   | Relationship                 | Transaction Details         |            |  |                            |
|-----|----------------------------------|--|------------------------------|-----------------------------|------------|--|----------------------------|
|     |                                  |  |                              | Financial Statement Account | Amount     | Payment Terms                                | % of Total Sales or Assets |
| 0   | Prosperity Dielectrics Co., Ltd. | Frontier Components Co., Limited                     | Parent company to subsidiary | Sales                       | \$ 134,686 | No significant difference with third parties | 11                         |
|     |                                  |  |                              | Trade receivables           | 215,154    |  | 2                          |
|     |                                  | Trade payables                                       | 35,478                       | -                           |            |  |                            |
|     |                                  | Prosperity Frontier Electronics (Shenzhen) Co., Ltd. | Parent company to subsidiary | Purchases                   | 20,933     |  | 2                          |
|     |                                  |  |                              | Trade payables              | 21,517     |  | -                          |
| 1   | Frontier Components Co., Limited | Dongguan Frontier Electronics Co., Ltd.              | Subsidiary to subsidiary     | Sales                       | 103,018    | 8  |                            |
|     |                                  |  |                              | Trade receivables           | 183,656    | 2  |                            |

Note 1: The investee company is represented in the number column as follows:

- a. The parent company is numbered "0".
- b. The subsidiaries are numbered consecutively from "1" in the order presented in the table above.

Note 2: There are three natures of relationships regarding the flow of transactions (in the case of the same transaction between the parent company and its subsidiary or between subsidiaries, there is no need to repeat disclosure. For example: If the parent company has disclosed the transaction between the parent company and the subsidiary, the subsidiary does not need to be disclosed. If a subsidiary has disclosed the transaction between the other subsidiary and itself, the other subsidiary does not need to be disclosed).

- a. From the parent company to its subsidiary.
- b. From a subsidiary to its parent company.
- c. Between subsidiaries.

Note 3: The transaction amount as a percentage of the consolidated total revenue or total assets is calculated as follows: For balance sheet items, each item's period-end balance is shown as a percentage of consolidated total assets as of March 31, 2022. For profit or loss items, cumulative amounts are shown as a percentage of consolidated total operating revenue for the three months ended March 31, 2022.

Note 4: The decision whether or not to disclose the significant intercompany transactions was made based on the principle of materiality.

## PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

## INFORMATION ON INVESTEEES

FOR THE THREE MONTHS ENDED MARCH 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company                                    | Investee Company   | Location               | Main Businesses and Products           | Original Investment Amount |                     | As of March 31, 2022 |      |                 | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|---|--|------------------------|--|----------------------------|---------------------|----------------------|------|-----------------|-----------------------------------|------------------------|------|
|   |  |                        |  | March 31, 2022             | December 31, 2021   | Number of Shares     | %    | Carrying Amount |                                   |                        |      |
| Prosperity Dielectrics Co., Ltd.                    | PDC Prime Holdings Limited<br>Frontec International Corporation  | Samoa                  | Investment holding                     | \$ 728,456                 | \$ 728,456          | 23,464,538           | 100  | \$ 1,707,500    | \$ 13,157                         | \$ 13,157              |      |
|   |  | British Virgin Islands | Overseas investment                    | 327,140                    | 327,140             | 8,221,615            | 100  | 129,395         | (5,112)                           | (5,112)                |      |
|   | Walsin Color Corporation<br>Joyin Co., Ltd.                      | Taiwan                 | Investment holding                     | 51,928                     | 51,928              | 4,934,995            | 3.36 | 94,990          | (31,211)                          | (1,050)                |      |
|   |  | Taiwan                 | Manufacturing of electronic components | 54,252                     | 47,073              | 3,138,102            | 4.02 | 50,295          | (18,244)                          | (734)                  |      |
| PDC Prime Holdings Limited                          | PDC Success Investments Ltd.<br>Frontier Components Co., Limited | Republic of Mauritius  | Investment holding                     | 387,932                    | 387,932             | 12,009,000           | 100  | 878,900         | 9,141                             | 9,141                  |      |
|   |  | Hong Kong              | International trade                    | 257,654<br>(Note 2)        | 257,654<br>(Note 2) | 70,036,752           | 100  | 758,008         | 3,938                             | 3,938                  |      |
|   | Prosperity International Development (HK) Co., Ltd.              | Hong Kong              | Investment holding                     | 68,729<br>(Note 2)         | 68,729<br>(Note 2)  | 2,401,000            | 100  | 64,634          | (117)                             | (117)                  |      |
| Prosperity International Development (HK) Co., Ltd. | GHPW Enterprise Corporation (HK) Limited                         | Hong Kong              | Investment holding                     | 68,700<br>(Note 2)         | 68,700<br>(Note 2)  | 2,400,000            | 10   | 64,611          | (1,174)                           | (117)                  |      |

Note 1: For the information on investees in mainland China, refer to Table 6.

Note 2: The closing exchange rate as of March 31, 2022 was used to convert the foreign currencies into New Taiwan dollars. The closing exchange rate as of March 31, 2022 was US\$ to NT\$ = 1:28.625

## PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA OF PROSPERITY DIELECTRICS CO., LTD.  
FOR THE THREE MONTHS ENDED MARCH 31, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. The names of investee companies in mainland China, their main businesses and products, total amount of paid-in capital, method of investment, remittance of funds, percentage of ownership in investments, investment gain or loss, carrying amount, and accumulated repatriation of investment income were as follows:

| Investee Company                                      | Main Businesses and Products   | Paid-in Capital                            | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2022 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) | Carrying Amount as of March 31, 2022 | Accumulated Repatriation of Investment Income as of March 31, 2022 |
|---|--|--|----------------------|---|---------------------|--------|--|-----------------------------------|--|------------------------|--------------------------------------|--|
|   |  |  |                      |   | Outward             | Inward |  |                                   |  |                        |                                      |  |
| PDC Electronics (Suzhou) Co., Ltd.                    | Manufacturing of electronic parts and ceramic components   | \$ 343,500<br>(US\$ 12,000,000)            | Note 1               | \$ 343,500<br>(US\$ 12,000,000)   | \$ -                | \$ -   | \$ 343,500<br>(US\$ 12,000,000)  | \$ 9,133                          | 100  | \$ 9,133               | \$ 878,640                           | \$ 72,626<br>(US\$ 2,537,141)                                      |
| Dongguan Frontier Electronics Co., Ltd.               | Selling of electronic components   | 174,613<br>(US\$ 6,100,000)                | Note 1               | 174,613<br>(US\$ 6,100,000)   | -                   | -      | 174,613<br>(US\$ 6,100,000)  | 5,252                             | 100  | 5,252                  | 415,744                              | 93,867<br>(US\$ 3,279,186)   |
| Chongqing Shuohong Investment Co., Ltd.               | Investment management, investment consultation services  | 2,392,102<br>(RMB 530,000,000)<br>(Note 4) | Note 1               | -   | -                   | -      | -  | 15,787                            | 20.43  | 3,226                  | 605,427                              | -  |
| Chongqing Xincheng Electronic Co., Ltd.               | Selling of electronic components, real estate investment and leasing                                 | 244,274<br>(RMB 54,122,000)<br>(Note 5)    | Note 1               | -   | -                   | -      | -  | (1,622)                           | 13.04  | (212)                  | 46,219                               | -  |
| GHPW Enterprise Corporation (Chongqing) Limited       | Business consultations, business management, consultation services and property management           | 687,000<br>(US\$ 24,000,000)               | Note 1               | 68,700<br>(US\$ 2,400,000)  | -                   | -      | 68,700<br>(US\$ 2,400,000)   | (1,171)                           | 10   | (117)                  | 64,531                               | -  |
| Prosperity Frontier Electronics (Shenzhen) Co., Ltd.  | Manufacturing and selling of chip components, power electronic devices and new electronic components | 171,750<br>(US\$ 6,000,000)                | Note 1               | 161,496<br>(US\$ 5,641,768)   | -                   | -      | 161,496<br>(US\$ 5,641,768)  | (5,117)                           | 100  | (5,117)                | 129,235                              | -  |
| Prosperity Frontier Electronics (Guangzhou) Co., Ltd. | Manufacturing and selling of chip components, power electronic devices and new electronic components | 4,513<br>(RMB 1,000,000)<br>(Note 6)       | Note 1               | -   | -                   | -      | -  | (331)                             | 100  | (331)                  | 3,377                                | -  |

Note 1: Investment in mainland China companies through an existing company established in a third region.

Note 2: Based on the financial statements of the investee companies reviewed by the attesting CPA of the parent company in Taiwan.

Note 3: The average exchange rate as of March 31, 2022 is used to convert the foreign currencies into New Taiwan dollars except for the investment gains and losses of the current period (converted at the average exchange rate of the three months ended March 31, 2022) if the relevant figures in this table involve foreign currencies.

Note 4: Investment amount of RMB108,290,000 was made using PDC Electronics (Suzhou) Co., Ltd.'s own capital.

Note 5: Investment amount of RMB7,055,500 was made using Frontier Electronic (Chong Qing) Co., Ltd.'s own capital, which has been transferred to Dongguan Frontier Electronics Co., Ltd. in December 2017.

Note 6: Investment of RMB1,000,000 was made using Dongguan Frontier Electronics Co., Ltd.'s own capital.

2. Investment quota for mainland China:

| Accumulated Outward Remittance for Investments in Mainland China as of March 31, 2022 | Investment Amount Authorized by the Investment Commission, MOEA | Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA |
|---|---|--|
| \$ 916,566<br>(US\$ 32,019,762)   | \$ 973,816<br>(US\$ 34,019,762)                                 | (Note 2)   |

(Continued)



Note 1: The average exchange rates as of March 31, 2022 are as follows:

US\$ to NT\$ = 1:28.625  
RMB to NT\$ = 1:4.5134

The average exchange rates for the three months ended March 31, 2022 are as follows:

US\$ to NT\$ = 1:27.994  
RMB to NT\$ = 1:4.4082

Note 2: The Company has obtained the operational headquarters certification document approved by the Industrial Development Bureau of the Ministry of Economic Affairs and is exempt from the “Regulations Governing the Examination of Investment or Technical Cooperation in mainland China”.

3. Significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 4
4. Circumstances in which investee mainland China companies in provide endorsements, guarantees or collaterals directly or indirectly through third-region enterprises: None.
5. Circumstances of financing provided with investee mainland China companies directly or indirectly through a third region: None.
6. Other transactions that have a material effect on the current profit and loss or financial status: None.

(Concluded)

**TABLE 7**

**PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES**

**INFORMATION OF MAJOR SHAREHOLDERS**

**MARCH 31, 2022**

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| <b>Name of Major Shareholder</b> | <b>Shares</b>           |                                    |
|----------------------------------|-------------------------|------------------------------------|
|                                  | <b>Number of Shares</b> | <b>Percentage of Ownership (%)</b> |
| Walsin Technology Corporation    | 74,186,468              | 43.13                              |